MMC

MMC CORPORATION BERHAD

ANNUAL REPORT 2019

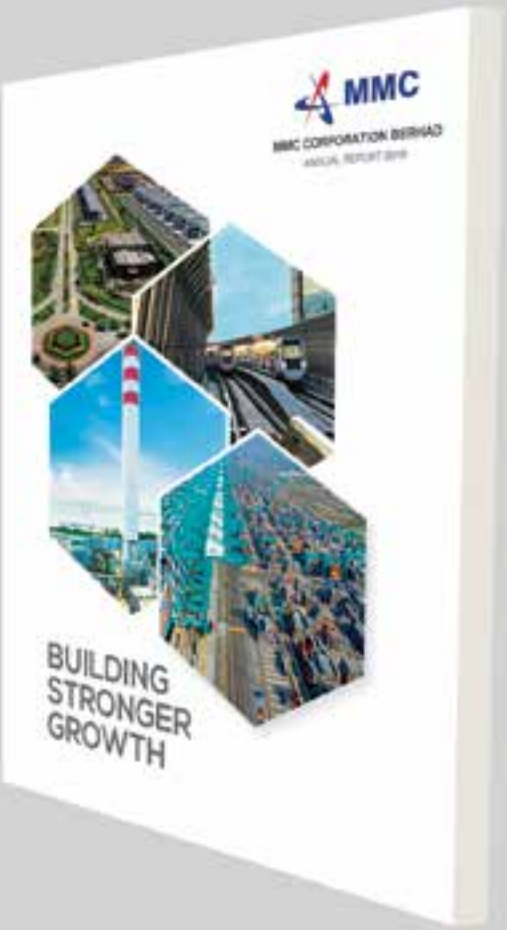
BUILDING STRONGER GROWTH

COVER RATIONALE

BUILDING STRONGER GROWTH

As a premier utilities and infrastructure group, MMC continues to play an integral role in nation building. Our growing presence, multi-disciplinary expertise and proven track record in the Ports and Logistics, Energy and Utilities, Engineering and Industrial Development sectors enable us to contribute significantly in the development and progress of the nation and its people. As we create sustainable value, we seek to benefit all stakeholders, including the larger community and the environment. Our focus on business and operational growth is supported by an equally driven commitment to realising sustainable operations based on set environmental and social indicators.

The cover of this year's Annual Report features images of MMC's core businesses coming together to create strategic and operational synergy that unlock new potentials and opportunities for value creation that will secure our future and deliver optimum value for stakeholders.



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ABOUT THIS REPORT

As a leading utilities and infrastructure group, MMC Corporation Berhad ("MMC" or "the Group") is driven by our passion to build a better world for all. A part of that commitment rests in our role in helping to grow the economy where we operate, and in 2019, we reaffirmed that resolve by answering Bursa Malaysia's call to embark on Integrated Reporting ("<IR>").

This Integrated Report reflects our intention to go beyond financial and performance disclosures, progressively adopting the guiding principles and content elements of <IR> set out by the International Integrated Reporting Council ("IIRC") to address the information requirements of our investors and help us compete effectively in the global marketplace.

As this is our first year journey, we will begin with a general adoption approach with preliminary disclosures on the strengths, strategies, business model and impacts of MMC and its operating companies, before enhancing our disclosures and adopting even more best practices in the coming years.

In doing so, we will be able to produce clear, comprehensive and concise report that will present a truer view of the worth of this company and show how MMC will continue to create value over time.

Scope and Boundary
This report focuses on financial and non-financial performance, risks, opportunities and outcomes of the strategic initiatives of MMC Corporation Berhad and its operating companies in the Ports and Logistics, Energy and Utilities, Engineering, and Industrial Development. Unless otherwise indicated, the content for this report reflects data and activities of the Group from 1 January to 31 December 2019 ("FY2019").

Approach to Materiality
Materiality is an important foundation of <IR>. It provides a clear analysis of matters that could substantively affect our organisation's ability to create value in the short, medium and long term, providing the information needed for Management's strategic execution. It also ensures that different stakeholders' information needs are taken into account in the preparation of this report. For more information on Materiality Matters, please turn to page 143.

In determining the Group's material matters, we are guided by the six capitals outlined in IIRC's value creation model, which are:

FINANCIAL CAPITAL: Comprises of our equity, assets, and operating revenue generated and deployed in our value creation.
MANUFACTURED CAPITAL: Refers to our ports' throughput, the energy/water processed and produced, and infrastructure built.
INTELLECTUAL CAPITAL: Our 100 over years of business experience, industry knowledge and technical know how, brand reputation and business strategies.
HUMAN CAPITAL: Refers to our employees, consisting of competent professionals with various skill sets to perform the critical functions of our diverse business operations.
SOCIAL CAPITAL: Refers to the relationships we have built with our strategic partners, authorities, supply chain, investors and the community.
NATURAL CAPITAL: Consists of energy and water consumption, our landbank, raw materials used in construction and our day-to-day operations.

These capitals are the input in our value creation process. Hence, issues that affect the sustainability of these capitals are deemed material to this organisation.

For more information on our Capitals, please turn to page 75.

Frameworks Applied
This report has been prepared in line with the prescribed principles based framework of the IIRC. Other regulatory frameworks or guiding principles adhered to include the following:

- The Companies Act 2016 ("Act")
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad
- Malaysian Code on Corporate Governance 2017 ("MCCG 2017")
- Bursa Malaysia Sustainability Reporting Guide – Second Edition
- Malaysian Financial Reporting Standards ("MFRS")
- International Financial Reporting Standards ("IFRS")

Forward Looking Statements
This report contains forward-looking statements discussing future operations and performance of the Group based on current assumptions that may or may not materialise due to risks and uncertainties beyond the Group's control.

Such statements relating to both financial and non-financial performance are not conclusive and actual plans and results may differ from those expressed in this report due to market uncertainties and various risk factors, as well as possible strategic deviations in response.

Hence, such statements do not serve as guarantees of future operational, financial or any other results. Ultimate results and outcomes may differ. Forward-looking statements issued in this report have not been reviewed or audited by an external auditor.

Online Version and Related Information
A digital version of this report and past reports are available for download from our corporate website at **www.mmc.com.my**

Additional disclosures about MMC's quarterly financial results, corporate announcements, policies and robust governance structure can also be found on our website.

Feedback
Feedback, clarifications on matter reported as well as enquiries pertaining to Investor Relations can be channelled to:

Investor Relations
Tel : +603 2071 1000
Fax : +603 2026 1921
Email : investor@mmc.com.my

CORPORATE OVERVIEW

Who We Are

MMC CORPORATION BERHAD is a leading utilities and infrastructure group with diversified businesses involved in Malaysia and abroad.

Our Vision

To be a Premier Utilities and Infrastructure Group

We are driven by a commitment to build a better world for all.

Our Mission

Excellence in our Core Business Segments

- Maximise shareholder value
- Service excellence to stakeholders
- Lead in value innovation
- Be the preferred employer

We serve our stakeholders with a steadfast commitment to excellence.

Our Core Values

INTEC

- Integrity
- Innovation
- Teamwork
- Excellence
- Commitment

Our actions are guided by our core values, setting standards in the way we work.

With over a century of experience and links to the Government, we are recognised as one of Malaysia's largest conglomerates serving the nation and the rakyat.

The Value We Create

- We connect people, goods and businesses across the globe
- We light up lives by generating energy for homes and industries
- We build infrastructures that afford our society the convenience they enjoy today
- We masterplan the growth of industries that drive the nation's economy

Together, the scale of our operation makes us one of Malaysia's key players in nation building.

CORPORATE **OVERVIEW**

What We Do
Our key activities as a utilities and infrastructure provider are divided into four core business segments:

Ports and Logistics

We are one of the 10 largest port operators in the world.

Port Operations in Malaysia:
- Pelabuhan Tanjung Pelepas Sdn Bhd
- Johor Port Berhad
- Northport (Malaysia) Bhd
- Penang Port Sdn Bhd
- Tanjung Bruas Port Sdn Bhd

Total container handling capacity across all ports in Malaysia stands at 21.3 million TEUs

Port Operations in Saudi Arabia:
- Red Sea Gateway Terminal Company Limited operates a container port terminal within the Jeddah Islamic Port

Airport Operator:
- Senai Airport Terminal Services Sdn Bhd is the operator of Senai International Airport in Johor Bahru

Logistics Operator:
- Kontena Nasional Berhad is one of the largest integrated logistics company in Malaysia

Energy and Utilities

We are a total energy solutions provider.

Power Generation:
- Through Malakoff Corporation Berhad, we are the largest Independent Power Producer in Malaysia

Natural Gas Distribution:
- Through Gas Malaysia Berhad, we are the only supplier of reticulated natural gas in West Malaysia. We also operate and maintain 2,468 kilometres of Natural Gas Distribution System Network

Water Solutions Provider:
- Through Aliran Ihsan Resources Berhad, we are a pioneer in wastewater recycling technology and water treatment specialist

Engineering

We undertake engineering and construction works for key civil and infrastructure projects in the country.

Current Projects:
- Turnkey Contractor for the entire MRT Sungai Buloh-Serdang-Putrajaya project ("SSP Line")
- Main contractor for the Langat Centralised Sewerage Treatment Plant
- Construction of Langat 2 Water Treatment Plant

Prior Projects:
- Project Delivery Partner ("PDP") for the elevated section and main contractor for underground work of the Klang Valley Mass Rapid Transit ("KVMRT") Sungai Buloh-Kajang (SBK) line
- 329 kilometres Ipoh-Padang Besar Electrified Double Tracking Project
- Construction of Stormwater Management and Road Tunnel ("SMART") motorway

Industrial Development

We develop and manage approximately 5,000 acres of industrial developments in Iskandar Malaysia, Johor and Kulim, Kedah.

Senai Airport City ("SAC")
- A master planned 2,718 acres integrated industrial development comprising of Free Industrial Zone & Free Commercial Zone, hi-tech & general manufacturing and mixed development areas targeting various industrial segments strategically located at a mature industrial ecosystem of Senai, Johor

Tanjung Bin Petrochemical & Maritime Industrial Centre ("TBPMIC")
- A master planned 2,255 acres niche industrial development catering to the petrochemical, oil storage and maritime industry and strategically located at Tanjung Bin, Johor, opposite the Port of Tanjung Pelepas, along the maritime route

Northern Technocity ("NTC")
- A complementary 354 acres industrial development within Kulim Hi-Tech Park, Kedah catering to the needs of the high technology industrial segments in the northern region and strategically connected to the port and airport in Penang

CORPORATE
INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
Independent Non-Executive Chairman

DATO' SRI CHE KHALIB MOHAMAD NOH
Group Managing Director

DATUK OOI TEIK HUAT
Senior Independent Non-Executive Director

DATO' ABDUL HAMID SH MOHAMED
Independent Non-Executive Director

DATO' SITI HALIMAH ISMAIL
Independent Non-Executive Director

SYED NAQIZ SHAHABUDDIN SYED ABDUL JABBAR
Independent Non-Executive Director

DATO' IR. JAMALUDIN OSMAN
Non-Independent Non-Executive Director

TEE BENG THONG
Independent Non-Executive Director

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

COMPANY SECRETARIES

Ahmad Aznan Mohd Nawawi
Sazlin Ayesha Abdul Samat

REGISTERED OFFICE

Ground Floor
Wisma Budiman
Persiaran Raja Chulan
50200 Kuala Lumpur
Malaysia

Tel : (603) 2071 1000
Fax : (603) 2026 2378
Email : cosec@mmc.com.my

FORM OF LEGAL ENTITY

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

AUDITORS

Messrs. PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

Tel : (603) 2173 1188
Fax : (603) 2173 1288

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : (603) 7890 4700 (Helpdesk)
Fax : (603) 7890 4670

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn Bhd
10th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia

Tel : (603) 2034 7751
Fax : (603) 2026 3712

PRINCIPAL BANKER

RHB Islamic Bank Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Code : 2194
Stock Name : MMCCORP

INVESTOR RELATIONS

Badrulhisyam Fauzi
Muhammad Nasri Abdul Malek
investor@mmc.com.my

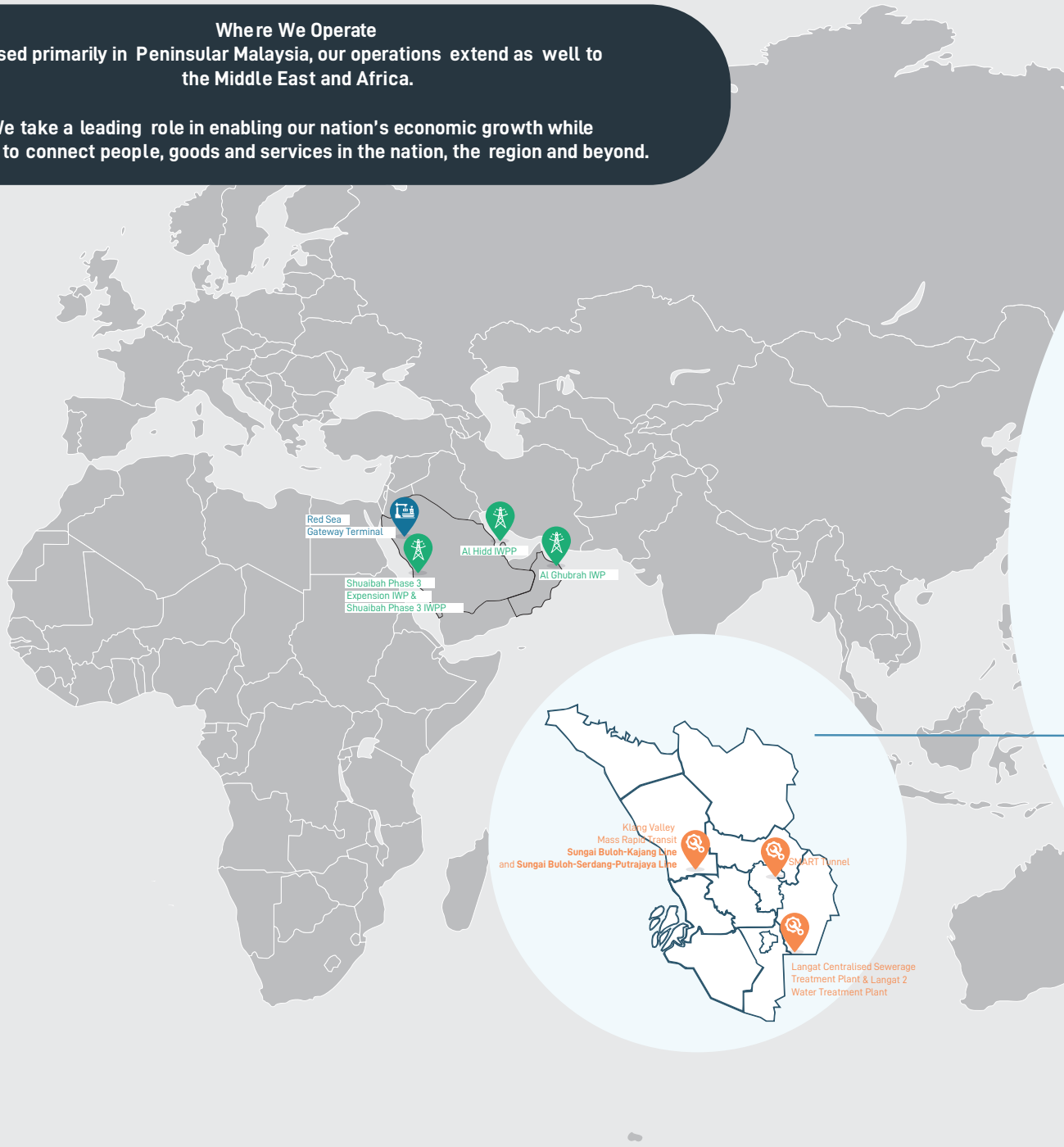
WEBSITE

www.mmc.com.my

WHERE WE OPERATE

Where We Operate
Based primarily in Peninsular Malaysia, our operations extend as well to the Middle East and Africa.

We take a leading role in enabling our nation's economic growth while helping to connect people, goods and services in the nation, the region and beyond.




Pendang
Perai
Penang Port
Northern Technocity
Prai Power Plant
Ipoh
• GB3 Power Plant
• SEV Power Plant
Seri Manjung
Kerteh
Gebeng
Kapar Power Plant
Shah Alam
Northport
Shah Alam
Kuala Lumpur
Bangi
Putrajaya
Senawang
Ayer Keroh
Tanjung Bruas Port
Kluang
Senai International Airport
Senai Airport City
Sungai Pulai Bridge
Pasir Gudang
Johor Port
Pelabuhan Tanjung Pelepas
• Tanjung Bin Power Plant
• Tanjung Bin Energy Power Plant
Tanjung Bin Petrochemical & Maritime Industrial Centre
LEGEND
Ports & Logistics
Energy & Utilities
Engineering
Industrial Development

GROUP CORPORATE STRUCTURE

As at 30 April 2020

MMC CORPORA

- 100% **ALIRAN IHSAN RESOURCES BERHAD**
  - 100% Aliran Utara Sdn Bhd
  - 100% Aliran Utilities Sdn Bhd (Formerly known as Southern Water Corporation Sdn Bhd)
  - 100% **ALIRAN WATER SERVICES SDN BHD** (Formerly known as Southern Water Engineering Sdn Bhd)
    - 70% SWESB MMCES JV Sdn Bhd
  - 80% Aliran Jebat Sdn Bhd
- 52.9% Kramat Tin Dredging Berhad
- 100% **ANGLO-ORIENTAL (ANNUITIES) SDN BHD**
  - 100% Dana Vision Sdn Bhd
  - 100% Labohan Dagang Galian Sendirian Berhad
  - 100% MMC Marketing Sdn Bhd
  - 100% Projek Lebuhraya Timur Sdn Bhd
- 100% **ANGLO-ORIENTAL (MALAYA) SDN BERHAD**
  - 100% Tronoh Holdings (Selangor) Sendirian Berhad
  - 100% MMC Frigstad Offshore Sdn Bhd
- 100% Bidor Malaya Tin Sdn Bhd
- 100% MMC Logistics Holdings Sdn Bhd
- 100% MMC Utilities Berhad
- 100% **MMC LAND SDN BHD**
  - 100% Northern Technocity Sdn Bhd
- 100% MMC Pembetungan Langat Sdn Bhd
- 100% Southern Kinta Consolidated (M) Berhad
- 100% Southern Malayan Tin Dredging (M) Berhad
- 100% Pernas Charter Management Sdn Bhd
- 70% **PELABUHAN TANJUNG PELEPAS SDN BHD**
  - 70% Manpower Excellence Sdn Bhd
  - 49% Pelepas Terminal Inland Services Sdn Bhd
- 100% Timah Securities Berhad

- 100% **MMC PORT HOLDINGS SDN BHD**
  - 100% **PENANG PORT SDN BHD**
    - 100% Penang Port Human Capital Services Sdn Bhd
    - 60.0% Swettenham Pier Cruise Terminal Sdn Bhd
  - 99.1% **NCB HOLDINGS BHD**
    - 99.1% Northport (Malaysia) Bhd
      - 99.1% Klang Port Management Sdn Bhd
        - 99.1% Northport Distripark Sdn Bhd
    - 99.1% Kontena Nasional Berhad
      - 99.1% Kontena Nasional Global Logistics Sdn Bhd
      - 99.1% KN Global Transport Sdn Bhd
      - 99.1% KN Loginfra Sdn Bhd
      - 99.1% KN Maritime Services Sdn Bhd
      - 99.1% Konnas Prolink Sendirian Berhad
  - 100% **JOHOR PORT BERHAD**
    - 100% JP Logistics Sdn Bhd
    - 100% Seaport Worldwide Sdn Bhd
    - 70% SPT Services Sdn Bhd
    - 50% Cranetech Global Sdn Bhd
  - 70% Tanjung Bruas Port Sdn Bhd

- 100% **SENAI AIRPORT TERMINAL SERVICES SDN BHD**
  - 100% Senai Airport City Services Sdn Bhd
  - 100% Senai Airport City Sdn Bhd
  - 100% Senai Airport Sdn Bhd
- 100% **MMC ENGINEERING GROUP BERHAD**
  - 100% **MMC ENGINEERING SDN BHD**
    - 50% Salcon MMCES AZSB JV Sdn Bhd
    - 30% SWESB MMCES JV Sdn Bhd
  - 100% MMC Engineering & Construction Sdn Bhd
  - 100% MMC Transport Engineering Sdn Bhd
  - 100% MMC-GTM Bina Sama Sdn Bhd
  - 100% **MMC TECHNICAL SERVICES SDN BHD**
    - 100% MMC Oil & Gas Engineering Sdn Bhd
      - 51.1% MMC Oil and Gas Engineering Consultancy LLC
  - 100% **MMC TEPAT TEKNIK SDN BHD**
    - 100% MMC Tepat Teknik (Kejuruteraan) Sdn Bhd
    - 100% MMC Tepat Teknik (Sarawak) Sdn Bhd
    - 100% Tepat Teknik (Labuan) Ltd
  - 90% MMC EG Co Ltd

TION BERHAD

- **100%** **MMC INTERNATIONAL HOLDINGS LIMITED**
  - **100%** City Island Holdings Limited
  - **100%** MMC Saudi Holdings Limited
  - **100%** MMC Saudi Arabia Limited
  - **100%** MMC Utilities Limited
  - **100%** MMC Ports Limited

JOINT VENTURE

- **50%** Projek Smart Holdings Sdn Bhd
  - **50%** Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd
- **50%** MMC-Gamuda Joint Venture Sdn Bhd
- **50%** MMC Gamuda KVMRT (PDP) Sdn Bhd
- **50%** MMC Gamuda KVMRT (T) Sdn Bhd
- **50%** MMC Gamuda KVMRT (PDP SSP) Sdn Bhd
- **49%** KTMB MMC Cargo Sdn Bhd
- **50%** UEM MMC Joint Venture Sdn Bhd
- **34%** Salcon MMCB AZSB JV Sdn Bhd

ASSOCIATES

- **30.9%** Gas Malaysia Berhad
- **37.6%*** Malakoff Corporation Berhad
- **10%** Konsortium Bernas MMC SPPM Sdn Bhd
- **49%** Ajil Minerals Sdn Bhd
- **33%** P.T. Ritra Konnas Freight Centre
- **24%** Jazan Economic City Land Company Limited
- **20%** Red Sea Gateway Terminal Limited
- **20%** Red Sea Ports Development Company Limited
- **23%** OP Biomas Technologies Sdn Bhd

Under Liquidation

Southern Water Technology Sdn Bhd
(Under Creditors' Winding Up)

Anglo-Oriental Malaya Trustees Sdn Bhd
(Under Members' Voluntary Liquidation)

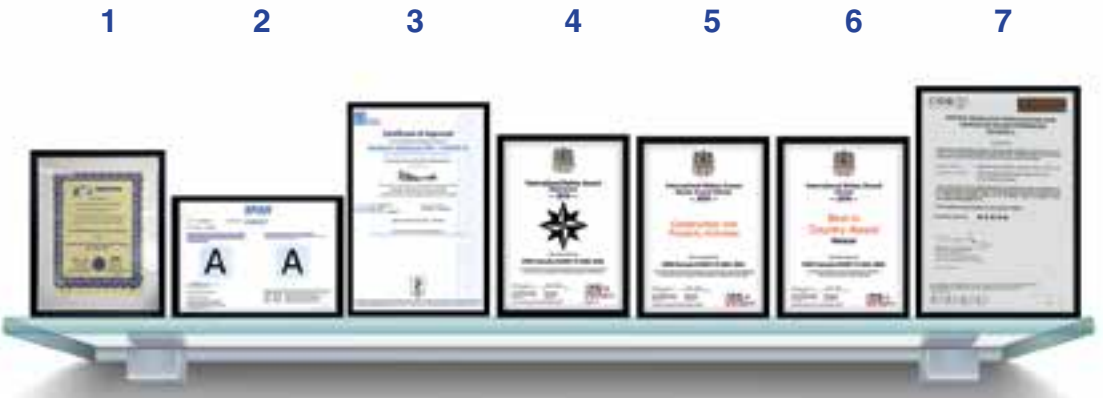
MMC Exploration & Production (Thailand) Pte Ltd
(Under Liquidation)

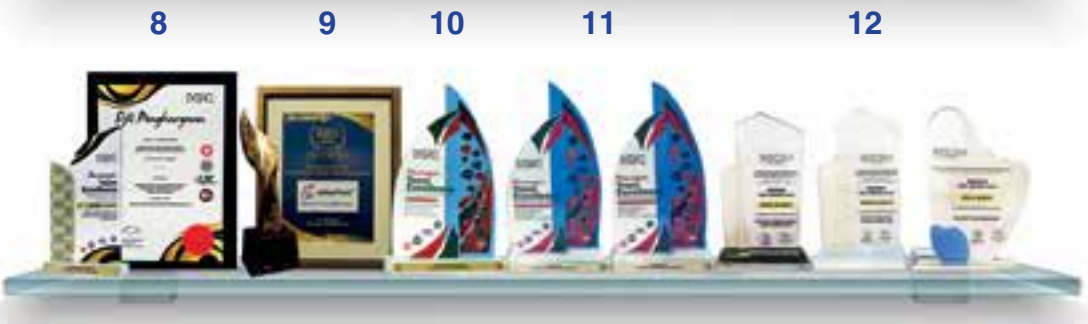
Aturan Jernih Sdn Bhd
(Under Striking-off)

MMC Overseas Pte. Limited
(Under Members' Voluntary Liquidation)

** excluding treasury shares*

AWARDS AND **ACHIEVEMENTS**





AWARDS AND **ACHIEVEMENTS**

1. **Johor Port Berhad**
   14 March 2019
   Excellence in Ports and Terminal Training/ Education
   – Global Ports Forum Awards

2. **Aliran Utara Sdn Bhd (A subsidiary of Aliran Ihsan Resources Berhad)**
   4 April 2019
   Awarded a Gred 'A' for the Kampung Senawar Water Treatment Plant, Kuala Kangsar, Perak - National Water Services Commission (SPAN)

3. **Northport (Malaysia) Bhd**
   4 April 2019
   Awarded the ISO 45001:2018 - ISO standard for management system of Occupational Safety & Health

4. **MMC Gamuda KVMRT (T) Sdn Bhd**
   5 April 2019
   International Safety Award (with Distinction) for KVMRT (Sungai Buloh-Serdang-Putrajaya Line) Underground – British Safety Council 2019

5. **MMC Gamuda KVMRT (T) Sdn Bhd**
   5 April 2019
   International Safety Award (Sector Awards) for Construction & Property Activities Category – British Safety Council 2019

6. **MMC Gamuda KVMRT (T) Sdn Bhd**
   5 April 2019
   International Safety Award for Best in Country Award – British Safety Council 2019

7. **MMC Pembetungan Langat Sdn Bhd**
   12-13 April 2019
   Sistem Penilaian Keselamatan dan Kesihatan Dalam Pembinaan (SHASSIC) 5 Star

8. **Northport (Malaysia) Bhd**
   18 April 2019
   Gold Award at the Mini Team Excellence Convention 2019
   – Malaysia Productivity Corporation

9. **Johor Port Berhad**
   29 April 2019
   Global Business Leadership Awards 2019 – Excellence in Port Facilities Management, Asia Pacific Business Council and Institute of Sustainability

10. **Northport (Malaysia) Bhd**
    18 July 2019
    Gold Award at the Regional Team Excellence Convention 2019 – Malaysia Productivity Corporation

11. **Malakoff Corporation Berhad**
    31 July 2019
    Two Gold Awards at the Regional Team Excellence Convention 2019 – Malaysia Productivity Corporation

12. **Malakoff Corporation Berhad**
    1 August 2019
    Gold Class I, Gold Class II & Gold Merit under Utility Sector Category at the Malaysian Society for Occupational Safety and Health (MSOSH) Occupational Safety and Health (OSH) Award 2018

13. **Northport (Malaysia) Bhd**
    1 August 2019
    Gold Class II under Logistics and Transportation Category
    – MSOSH OSH Award 2018

14. **Northport (Malaysia) Bhd**
    1 August 2019
    MSOSH Workplace Health Promotion (WHP) Award 2018 (Level 2)

15. **MMC Pembetungan Langat Sdn Bhd**
    1 August 2019
    Gold Class II for Langat Sewerage Project – MSOSH OSH Award 2018

16. **MMC Engineering Sdn Bhd**
    1 August 2019
    Gold Class I for its Lembaga Kemajuan Pertanian Muda Project and Gold Merit for its North-Butterworth Container Terminal Project – MSOSH OSH Award 2018

17. **Penang Port Sdn Bhd**
    1 August 2019
    Gold Class I under Logistics and Transportation Category
    – MSOSH OSH Award 2018

18. **Gas Malaysia Berhad**
    19 September 2019
    Highest Return on Equity Over Three Years – The Edge Billion Ringgit Club Corporate Awards 2019

19. **Gas Malaysia Berhad**
    19 September 2019
    Highest Growth in Profit After Tax Over Three Years
    – The Edge Billion Ringgit Club Corporate Awards 2019

20. **MMC Gamuda KVMRT (T) Sdn Bhd**
    27 September 2019
    5 Star Rating - British Safety Council's Health and Safety Audit 2019

21. **Johor Port Berhad**
    15 October 2019
    APQO Innovation Class Award (STAR) – Asia Pacific Quality Organisation (APQO)

22. **MMC Gamuda KVMRT (T) Sdn Bhd**
    24 October 2019
    Reality Modeling Category – Bentley Year in Infrastructure 2019 Awards by Bentley Systems Inc

23. **Malakoff Corporation Berhad**
    5-7 November 2019
    Annual Productivity & Innovation Conference and Exposition 2019 (APIC2019) - Gold 5 Star for ALSKOFF and SCAFOLD

24. **MMC Gamuda KVMRT (T) Sdn Bhd**
    18 November 2019
    Technical Product/Equipment Innovation of The Year
    – 2019 ITA Tunnelling Awards by International Tunnelling and Underground Space Association (ITA)

25. **MMC Gamuda KVMRT (T) Sdn Bhd**
    22 November 2019
    Sword of Honour – British Safety Council Awards

BOARD OF
DIRECTORS' PROFILE

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS

Independent Non-Executive Chairman

Age : 68
Gender : Male
Nationality : Malaysian
Date of Appointment : 16 July 2015

MEMBERSHIP OF BOARD COMMITTEES:
- Nomination and Remuneration Committee (Chairman)

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

SKILLS, EXPERIENCE AND EXPERTISE:
Tan Sri Dato' Seri Shamsul joined Petroliam Nasional Berhad (PETRONAS) in 1975. During his forty years' tenure, he has served in various capacities and key positions, including his last held position as the President & Chief Executive Officer of PETRONAS from 2010 to 2015, prior to his appointment as the Group Chairman of MMC Corporation Berhad on 16 July 2015.

Under Tan Sri Dato' Seri Shamsul's leadership, PETRONAS undertook strategic landmark projects for the company and for Malaysia such as the Pengerang Integrated Refinery and Petrochemical Project (RAPID), Bintulu Train 9 Project, PETRONAS Floating Liquefied Natural Gas Facilities Project and Regasification Terminal in Malacca.

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

DIRECTORSHIPS:
Listed Entities
- Enra Group Berhad

Public Companies
- NCB Holdings Bhd

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 7/8

DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director

Age : 55
Gender : Male
Nationality : Malaysian
Date of Appointment : 1 July 2013

MEMBERSHIP OF BOARD COMMITTEES:
- Nil

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

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

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

DIRECTORSHIPS:
Listed Entities
- Gas Malaysia Berhad
- Malakoff Corporation Berhad

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

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

BOARD OF **DIRECTORS' PROFILE**

DATUK OOI TEIK HUAT

Senior Independent Non-Executive Director

Age : 60
Gender : Male
Nationality : Malaysian
Date of Appointment : 22 May 2008

MEMBERSHIP OF BOARD COMMITTEES:
- Audit Committee (Chairman)
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

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

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

DIRECTORSHIPS:
Listed Entities
- DRB-HICOM Berhad
- Gas Malaysia Berhad
- Malakoff Corporation Berhad
- Zelan Berhad

Public Companies
- Johor Port Berhad
- Tradewinds (M) Berhad

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

DATO' ABDUL HAMID SH MOHAMED

Independent Non-Executive Director

Age : 55
Gender : Male
Nationality : Malaysian
Date of Appointment : 10 August 2009

MEMBERSHIP OF BOARD COMMITTEES:
- Finance, Investment and Risk Committee (Chairman)
- Audit Committee

QUALIFICATIONS:
- Fellow of Association of Chartered Certified Accountants

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

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

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

DIRECTORSHIPS:
Listed Entities
- Nil

Public Companies
- Maybank Investment Bank Berhad

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

BOARD OF **DIRECTORS' PROFILE**

DATO' SITI HALIMAH ISMAIL

Independent Non-Executive Director

Age : 64
Gender : Female
Nationality : Malaysian
Date of Appointment : 16 July 2015

MEMBERSHIP OF BOARD COMMITTEES:
- Finance, Investment and Risk Committee

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

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

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

DIRECTORSHIPS:
Listed Entities
- Nil

Public Companies
- Waqaf An-Nur Corporation Berhad

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

SYED NAQIZ SHAHABUDDIN SYED ABDUL JABBAR

Independent Non-Executive Director

Age : 47
Gender : Male
Nationality : Malaysian
Date of Appointment : 16 July 2015

MEMBERSHIP OF BOARD COMMITTEES:
- Nomination and Remuneration Committee

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

SKILLS, EXPERIENCE AND EXPERTISE:
Syed Naqiz is a Senior Partner at Messrs. Naqiz & Partners. Having practiced law for more than 20 years, he has acquired in-depth knowledge not only on legal intricacies but has also gained a solid knowledge-base on various industries ranging from finance, power, construction, automotive, defense, information technology, telecommunications, hospitality, retail, manufacturing, fast-moving consumer goods (FMCG) and logistics.

Syed Naqiz sits on the Boards of Yayasan DRB-HICOM, UOB Asset Management (M) Berhad, UOB Islamic Asset Management Sdn Bhd, TH Properties Sdn Bhd and Bumiputra Retailers Organisation (BRO).

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

DIRECTORSHIPS:
Listed Entities
- Nil

Public Companies
- UOB Asset Management (M) Berhad

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

BOARD OF **DIRECTORS' PROFILE**

DATO' IR. JAMALUDIN OSMAN

Non-Independent Non-Executive Director

Age	: 65
Gender	: Male
Nationality	: Malaysian
Date of Appointment	: 17 May 2017

MEMBERSHIP OF BOARD COMMITTEES:
- Audit Committee

QUALIFICATIONS:
- Member of Institute of Engineers Malaysia
- Management Development Programme, Asian Institute of Management, Manila, Philippines
- Bachelor's Degree in Civil Engineering, Universiti Teknologi Malaysia, Malaysia

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

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

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

DIRECTORSHIPS:
Listed Entities
- Hock Seng Lee Berhad
- KLCC Property Holdings Berhad

Public Companies
- Nil

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

TEE BENG THONG

Independent Non-Executive Director

Age	: 53
Gender	: Male
Nationality	: Malaysian
Date of Appointment	: 1 January 2018

MEMBERSHIP OF BOARD COMMITTEES:
- Nomination and Remuneration Committee

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

SKILLS, EXPERIENCE AND EXPERTISE:
Tee Beng Thong started his career with Messrs. Coopers & Lybrand (now known as Messrs. PricewaterhouseCoopers PLT (PwC)). Thereafter, he went into the distributorship of global fast-moving consumer goods (FMCG) in the Selangor region.

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

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

DIRECTORSHIPS:
Listed Entities
- DRB-HICOM Berhad

Public Companies
- Padiberas Nasional Berhad

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

BOARD OF **DIRECTORS' PROFILE**

SHARIFAH SOFIA SYED MOKHTAR SHAH

Non-Independent Non-Executive Director

Age	: 26
Gender	: Female
Nationality	: Malaysian
Date of Appointment	: 28 May 2018

MEMBERSHIP OF BOARD COMMITTEES:
- Nil

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

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

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

Sharifah Sofia joined POS Malaysia Berhad as a Special Officer to the Group Chief Executive Officer from January to October 2017. She also had a stint with Grameen Bank, Bangladesh where she acquired greater understanding of microfinance and the operation of social businesses.

Sharifah Sofia is a Director of Seaport Terminal (Johore) Sdn Bhd, a Major Shareholder of the Company.

DIRECTORSHIPS:
Listed Entities
- DRB-HICOM Berhad
- POS Malaysia Berhad

Public Companies
- Nil

NUMBER OF BOARD MEETINGS attended in financial year ended 31 December 2019 : 8/8

ADDITIONAL INFORMATION

- Save for Sharifah Sofia Syed Mokhtar Shah, none of the Director has any family relationship with any Director and/or Major Shareholder of MMC Corporation Berhad.
- None of the Directors has conflict of interest with MMC Corporation Berhad.
- None of the Directors has been convicted of any offense within the past five (5) years.
- None of the Directors has been publicly sanctioned nor has been imposed any penalty by the relevant regulatory bodies during the financial year.

MANAGEMENT
TEAM PROFILE

MOHD SHAHAR YOPE
Group Chief Financial Officer

QUALIFICATION

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

BACKGROUND

- Joined MMC Corporation Berhad as Director, Business Development & International Business on 4 August 2014
- Assumed the position of Group Chief Financial Officer effective 1 September 2014
- Prior to joining MMC, Mohd Shahar was with Telekom Malaysia Berhad as General Manager, Business Finance, TM Government
- Joined Telekom Malaysia as General Manager, Business Planning in 2005
- Began his career at Ernst & Young, Kuala Lumpur in 1988

DIRECTORSHIP

Sits on the board of Northport (Malaysia) Bhd, Kontena Nasional Berhad, MMC Utilities Berhad, Kramat Tin Dredging Berhad and Southern Malayan Tin Dredging (M) Berhad

MOHD RAZIN GHAZALI
Chief Operating Officer
Technical & Engineering

QUALIFICATION

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

BACKGROUND

- Worked as the Executive Director, Operation of Ahmad Zaki Resources Sdn Bhd
- Managing Director of UEM Builders Berhad
- Director of Programme Management for MMC Saudi Arabia LLC
- Chief Executive Officer/Country Director of IJM Construction (Pakistan) Pvt Ltd
- Worked in various capacities in IJM Construction and was involved in numerous acclaimed projects

DIRECTORSHIP

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

MANAGEMENT **TEAM PROFILE**

DR. MABEL LEE KHUAN EOI

Director
Group Treasury

QUALIFICATION

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

BACKGROUND

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

DIRECTORSHIP

Sits on the board of Kramat Tin Dredging Berhad

LUCY WONG KAM YANG

Chief Internal Auditor

QUALIFICATION

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

BACKGROUND

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

DIRECTORSHIP

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

FINANCIAL

CALENDAR 2020

22 June 2020

ANNUAL GENERAL MEETING

3 June 2020

ENTITLEMENT TO 2019 DIVIDEND

26 June 2020

PAYMENT OF 2019 DIVIDEND

ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019:

28 May 2019

FIRST QUARTER ENDED
31 MARCH 2019

27 August 2019

SECOND QUARTER ENDED
30 JUNE 2019

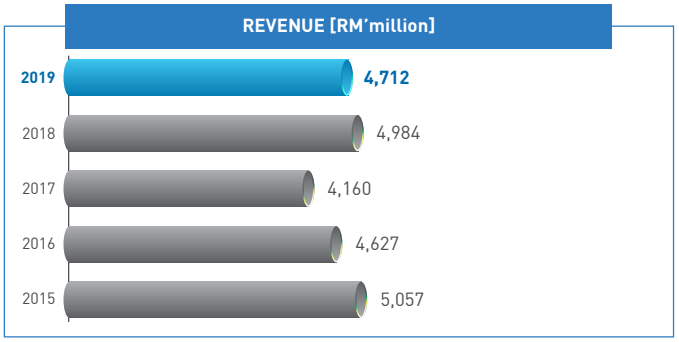
26 November 2019

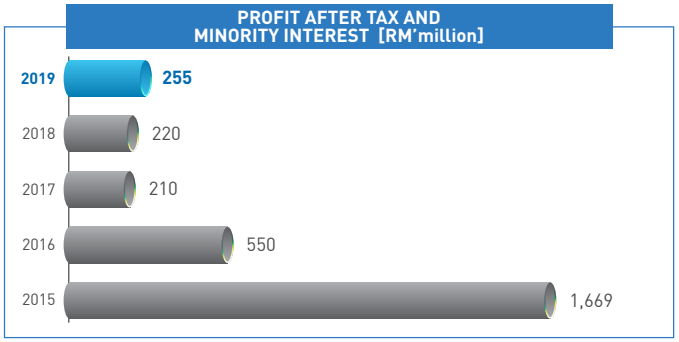
THIRD QUARTER ENDED
30 SEPTEMBER 2019

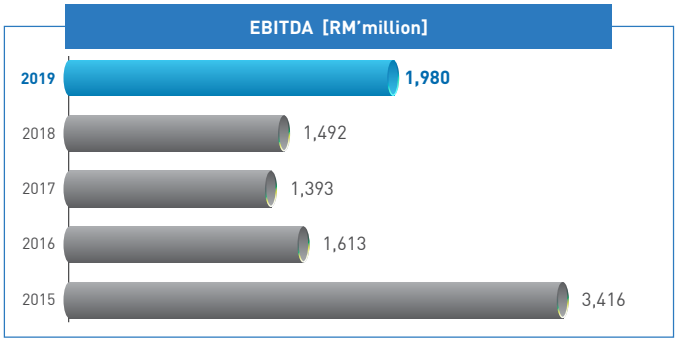
25 February 2020

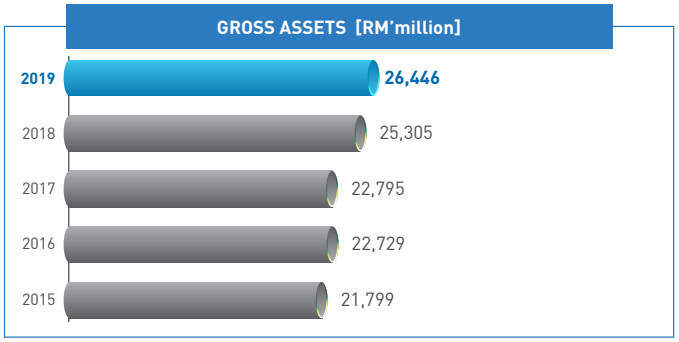
FOURTH QUARTER ENDED
31 DECEMBER 2019

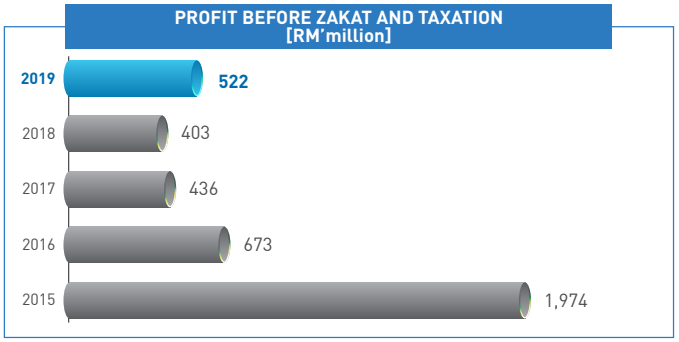
FIVE YEAR FINANCIAL SUMMARY

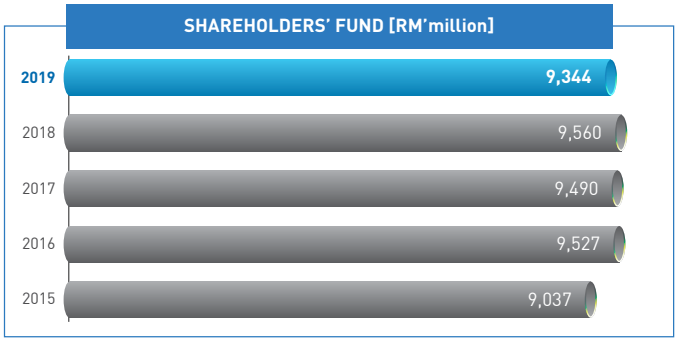


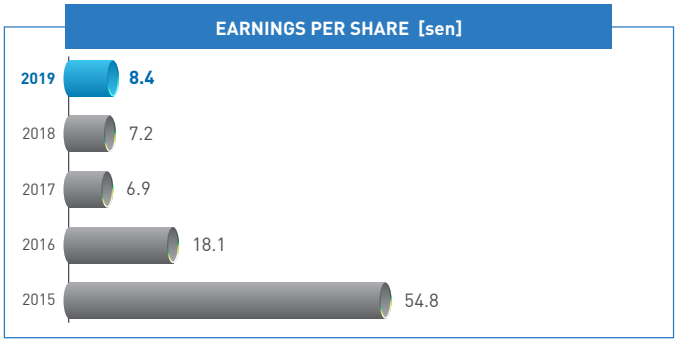


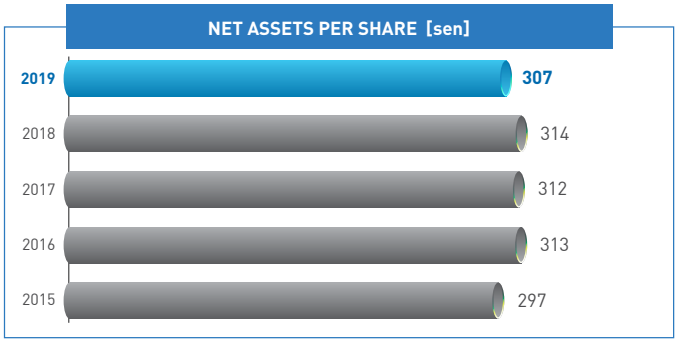




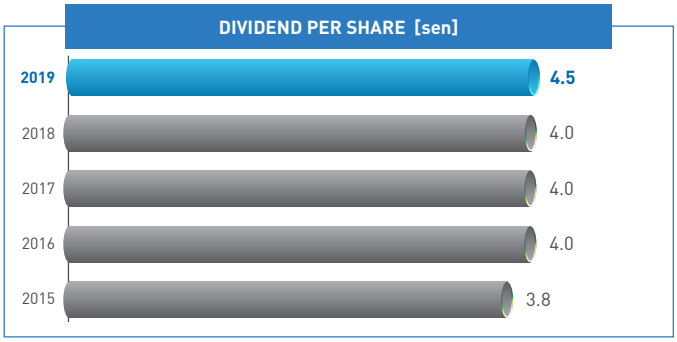


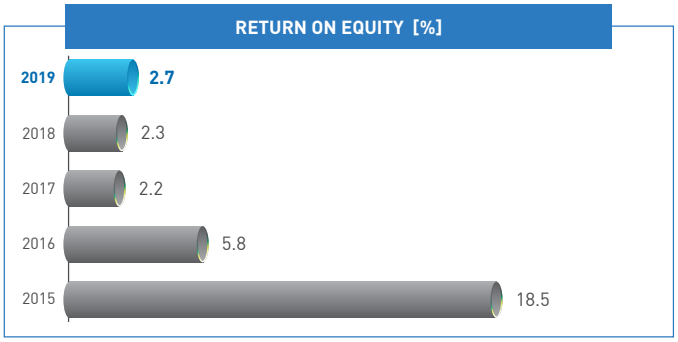






FIVE YEAR FINANCIAL **SUMMARY**





Distribution of Value Added

	2019 RM'000	2018 RM'000
Revenue	4,711,796	4,983,770
Operating expenses excluding staff cost, depreciation & amortisation	(2,357,448)	(3,124,873)
Other operating income		
- Item relating to investment	-	65,703
- Other income	220,313	165,685
Finance cost	(677,993)	(545,063)
Share of results of associates & Joint Venture	301,844	206,828
Value added available for distributions	**2,198,512**	**1,752,050**
DISTRIBUTION		
To employee:		
Employment costs	896,095	804,736
To the Government:		
Taxation and zakat	221,581	135,890
To shareholders:		
Dividends*	157,200	152,704
To reinvest to the Group:		
Depreciation and amortisation	780,426	544,387
Retained profit	133,364	98,278
Total distributed	**2,188,666**	**1,735,995**

**inclusive dividends paid to non-controlling interest*

BUSINESS
HIGHLIGHTS

Pelabuhan Tanjung Pelepas became the first port in the world to record the highest utilisation of a container vessel with record load of **19,574 TEUs** for **MSC Gulsun**

Johor Port handled the highest container throughput of **1.0 million TEUs** in its history

Northport is the first Malaysian port awarded with the **ISO 45001:2018** standard for management system of Occupational Safety and Health

Northport **signed strategic collaboration with Proton** as their homeport for all Proton vehicles and CKD

Penang Port undertook the **redevelopment of Swettenham Pier Cruise Terminal** to accommodate berthing of **two mega cruise vessels** at any one time

Senai International Airport achieved a record of **4.27 million passenger** volume and **14,694 tonnes of cargo**, the highest recorded volume in its history

Senai International Airport was the **fastest growing airport in 2019** with **21% passenger growth**

Tanjung Bruas Port had **highest conventional cargo** handled since privatisation in 2016 and **commenced container operations**

Completion of the Alam Flora acquisition on 5 December 2019, marking Malakoff's entry into the Waste Management and Environmental Services sector

Gas Malaysia **completed 2,468 kilometres of NGDS pipeline** and **sold more than 200 million MMBTU of gas volume**

Gas Malaysia **completed preparation for Third Party Access** through creation of Gas Malaysia Distribution and Gas Malaysia Energy Services

Engineering Division secured the **first gas pipeline project in 10 years** and marks MMC's re-emergence as a major gas pipeline contractor in Malaysia

AIR Berhad secured **6 new projects concession worth RM45 million**

FINANCIAL
HIGHLIGHTS

Revenue

RM 4.71 billion

(2018 : RM4.98 billion)

Profit Before Zakat and Taxation

RM 522 million

(2018 : RM403 million)

Profit After Tax and Minority Interests

RM 255 million

(2018 : RM220 million)

Earnings Before Interest, Depreciation, Tax and Amortisation

RM 1.98 billion

(2018 : RM1.49 billion)

Gross Assets

RM 26.45 billion

(2018 : RM25.30 billion)

BUSINESS
STRENGTHS

Footprint in Multiple Businesses

The Group has diversified business presence spanning a wide range of strategic business sectors, all of which are vital for nation building and have bright prospects going forward.

Strategic and Operational Synergy

The Group is able to leverage on its many operating companies to offer integrated solutions or offerings. Synergy is also reflected when projects/business opportunities can be executed within the Group itself.

Robust Business Model

Unlike typical investment holding companies that may opt for passive control over their business operations, the Group operates on a business ownership model with businesses being driven and managed actively as an operating group.

Backed by Operating Companies with Strong and Recurring-based Income

The Group holds a mix of long-term concessions, under. Built Operate Transfer ("BOT"), Built Operate Own Transfer ("BOOT") and Build Own Operate ("BOO") contracts as well as owns businesses that deliver long-term recurring income. This provides stability in revenues and earnings.

Strong Asset and Financial Base

The Group's robust financial position allows it to fund capital and other related expenditure to enhance business operations and to secure projects.

Proven Expertise and Track Record

Through its operating companies, the Group has established a long-standing reputation for undertaking many of the nation's iconic projects and for successfully delivering on commitments as per schedule and within budget.

Highly Experienced and Professional 15,221-Strong Workforce

The Group's greatest asset remains the competence and skills of its people, who bring a vast range of professional capabilities and experience to steer the Group's growth.

Good Marketplace Practices and Corporate Governance

The Group's commitment to accountability, transparency and good governance has further strengthened the organisation's business model and organisational structure, ensuring that systems and processes are business driven and safeguard the best interest of shareholders and stakeholders.

INVESTOR RELATIONS

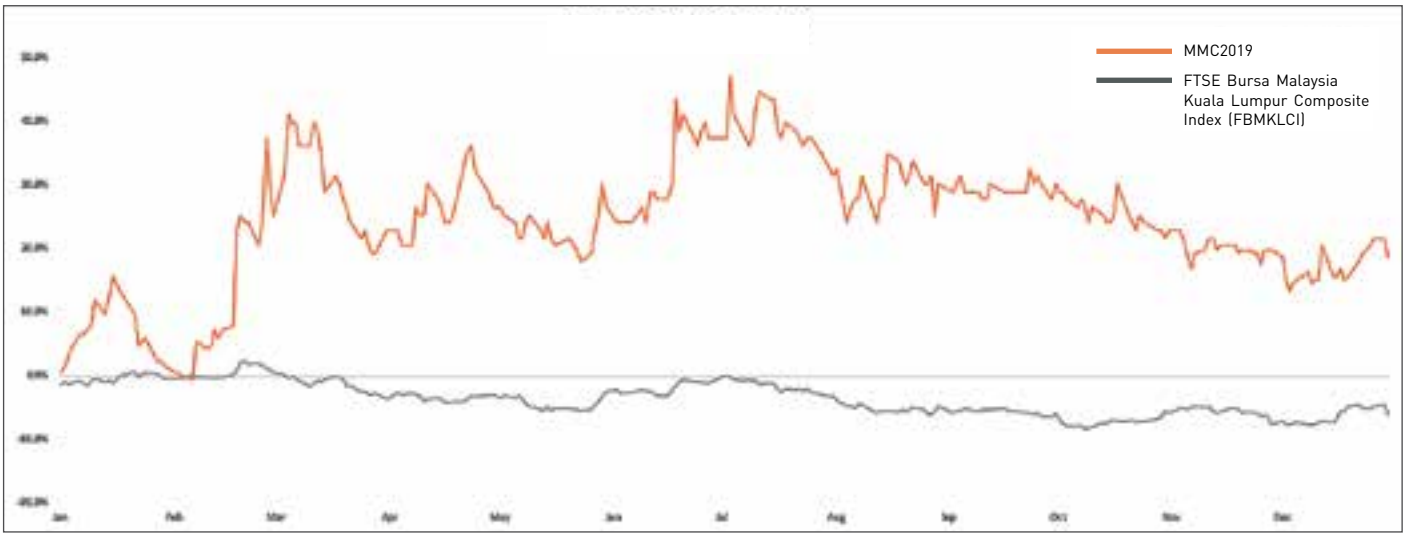
At MMC Corporation Berhad, one of our stated mission is to maximise shareholder value. To that end, we make it a priority to continuously engage our existing shareholders, prospective investors, analysts and fund managers to keep them abreast of MMC's business performance, key developments, strategies and industry insights, and help us respond to their inquiries and concerns.

Our structured investor relations agenda is centred on building confidence and maintaining strong, transparent relationships with the investing community through continuous disclosures, dialogues and discussions.

ENGAGEMENT CHANNELS					
Investor Relations (IR) Portal	**Annual General Meeting (AGM) & Extraordinary General Meeting (EGM)**	**Results Announcement**	**Analyst Coverage**	**Site Visits**	**Meetings & Conferences**
Our website contains a depository of all shareholder engagement materials. Publications and disclosures are disseminated in a timely manner.	We value AGM and EGMs as an avenue for information exchange between shareholders, Management and the Board. Minutes are available on our IR Portal.	Results announcement are released every quarter. Quarterly reports and presentation slides are available on our IR portal.	We encourage coverage by research houses, whose reports are also hosted on our website for investors' easy retrieval.	Site visits are held regularly with investment houses and institutional investors to help them better understand how we operate.	We actively participate in one-on-one meetings and investor roadshows.
ENGAGEMENT HIGHLIGHTS FOR FY2019					
AR Publication Date: 16 April 2019	**Date of 43rd AGM:** 9 May 2019	**Result Dates:** Q1: 28 May 2019 Q2: 27 August 2019 Q3: 26 November 2019 Q4: 25 February 2020 **Full Year Results Analyst Briefing** 27 February 2020	**No. of Research Houses:** 5	**No. of Site Visits Held:** 6	**No. of Meetings & Roadshows conducted:** 15 Meetings and 1 Roadshow

INVESTOR **RELATIONS**

SHARE PRICE INDEX PERFORMANCE (%)



1Q Change (%)		2Q Change (%)		3Q Change (%)		4Q Change (%)		YOY change (%)	
MMC	19%	MMC	15%	MMC	-7%	MMC	-7%	MMC	19%
KLCI	-3%	KLCI	2%	KLCI	-5%	KLCI	0%	KLCI	-6%

DIVIDEND HIGHLIGHTS FOR FY2019

Total Dividend Payout
RM121.8 million

Dividend Payout Ratio
55%

Dividend Per Share
RM0.04

Date of Payment
26 June 2019

Note: Dividend payout ratio is based on total dividend payout over PATMI

STAKEHOLDER ENGAGEMENT

MANAGING OUR STAKEHOLDERS

MMC continues to actively and strategically engage our diverse stakeholder groups via a wide range of formal and informal channels. Through proactive engagement, we are able to respond to their expectations, needs and concerns on relevant material topics and matters. At MMC, stakeholder engagement is managed at the operating level by the respective operating companies. Each company is responsible for addressing concerns related to its business operations.

Stakeholders	Action to Address Stakeholder Interest	Engagement Methods and Platform
Shareholders	• Implementation of investor relations communications strategy through market forums • Consistent and timely sharing relevant information on financial results and new announcements	• Announcements to Bursa Malaysia • Quarterly and annual statements • Financial reporting • Investor meetings • Annual General Meetings/Extraordinary General Meetings • Corporate websites and publications
Employees	• Provide structured training for employee development • Enhance Human Resource Policies • Employee performance feedback	• Training and development • Emails, corporate websites, employee portal, publications and social media • CSR, social and sports activities • Employee engagement surveys • Town halls, dialogue sessions, events and celebrations • Team building exercises
Government, Regulators and Policy Makers	• Regular internal evaluation of company's compliance with legal requirements	• Interviews and meetings • Exhibitions, conferences and site visits • Support industry/Government initiatives
Bankers and Investors	• Timely and consistent sharing of relevant information on financial results • Implementation of investor relations communication through various channels	• Analyst briefings • Financial performance results • Corporate websites and publications • Corporate site visits
Customers, Suppliers and Industry Peers/ Partners	• Address customer's feedback in timely manner • Maintain quality control and quality assurance processes at our business and project level	• Events and celebrations • Exhibitions, conferences, meetings and site visits • Corporate websites and publications
Media	• Enhance media engagement strategies, media relations tools and guidelines • Share company information on business, financial, and new development through appropriate channels	• Issuance of press releases • Media engagements • Corporate websites, publications and social media • Advertorials and advertisements
Local Communities	• Implement initiatives with communities that focus on education, environment and community development	• Social events and festive celebrations • Sponsorships and donations • Town halls • Corporate websites, publications and social media

CHAIRMAN'S STATEMENT

As a leader in the utilities and infrastructure sector, MMC Corporation Berhad ("MMC" or "the Group") has and continues to deliver a positive impact in driving nation building and socio-economic prosperity.

Our Annual Report for the financial year ended 31 December 2019 ("FY2019") is themed "Building Stronger Growth". This theme reflects our aspirations to harness the cumulative strengths of our businesses to deliver synergistic propositions that empower the Group to stay competitive and to continue creating value.

On this note, I am pleased to present the Annual Report and audited financial statements of MMC Corporation Berhad for FY2019.

OVERVIEW

Despite persisting sluggish economic sentiments MMC has continued to bolster its track record for excellence, which is reflected in the many financial, business and operational highlights achieved across its businesses in FY2019. Our achievements are the result of our sustained strategic efforts to continue our quest to constantly improve, develop and evolve our business model across our operations.

In FY2019, we were unrelenting in delivering greater efficiency and productivity at our ports. Our Engineering Division was constantly bidding for, and secured new contracts while working steadily in completing projects in hand, with encouraging progress achieved. Similarly, the Energy and Utilities Division continued to improve the performance of our power plants while having many notable achievements for the distribution of gas nationwide.

Our value creation model remains intact and was strengthened during the FY2019, aided by the various implemented business and operational strategies and action plans. On the back of these highlights and achievements, we remain well on course for greater growth and progress.

The diversified nature of the Group has also provided us with reduced dependence on particular business sectors, while providing a stable recurring income. It has enabled MMC to venture into new businesses and embrace innovation and technology.

Through our core businesses of Ports and Logistics, Energy and Utilities, Engineering, and Industrial Development, MMC has contributed to infrastructure development and local industry growth, transfer of technology, creation of high-paying, skilled jobs and local talent development. Essentially, MMC has and continues to play a significant role in the progress of our nation. Most importantly, our value creation efforts have been realised amidst another year of tremendous change, uncertainty and opportunity within the operating environment.

The full details of our achievements, as well as strategic initiatives are provided in the Management Discussion and Analysis ("MD&A") section of this Annual Report on page 41.

As per previous years, the Ports and Logistics Division remained the largest contributor to the Group's financial performance. The division accounted for 68% and 86% of revenue and earnings respectively in FY2019.

FINANCIAL PERFORMANCE

In FY2019, the Group posted a stronger profit performance on the back of continued cost efficiencies. Gross Profit ("GP") and Profit Before Zakat and Taxation ("PBZT") for the financial year were RM1.9 billion and RM522 million respectively. Both GP and PBZT improved by 14% and 30% respectively year-on-year.

Our improved profit performance is noteworthy given that it was achieved on the back of lower but stable revenue in FY2019. Hence, our growth in earnings is a true reflection of the robustness of MMC's business model and its overall operational and cost competitiveness. These have enabled MMC to continue delivering strong financial returns and value to shareholders, even during a challenging financial year.

In tandem with earnings for FY2019, the Board of Directors ("the Board") has approved a dividend of 4.5 sen per share, to be paid on 26 June 2020 with a payout of RM137 million.

Profit Before Zakat and Taxation
RM522 Million
30% higher year-on-year

CHAIRMAN'S **STATEMENT**

PROVIDING A FULLER VALUE CREATION PERSPECTIVE

Corporate reporting in today's world continues to evolve at a rapid pace. In keeping our disclosures up to par with changing standards and the demands of discerning stakeholders, we have chosen to embark on Integrated Reporting ("<IR>") for the FY2019, which will be a progressive reporting journey.

Beyond emulating best corporate reporting practices in line with Bursa Malaysia's recommendations, the Board is of the view that adopting <IR> will enable stakeholders to gain a more comprehensive perspective of MMC's business model, the environment in which we operate in, the various external factors influencing operations and how we are proactively responding to macroeconomic risks and opportunities. More importantly, the <IR> approach enables the Group to provide a complete overview of its performance.

The Board and Senior Management affirmed that by adopting the guiding principles and content elements of the <IR> Framework prescribed by IIRC in our FY2019 Annual Report, MMC will be better positioned to illustrate the distinct means by which the Group creates sustainable value for its stakeholders, over the short, medium and long-term horizons.

A more detailed explanation of our Value Creation Process is provided on page 73 of this Annual Report. Our report further embodies the principles and content elements of <IR> which provide a more comprehensive disclosure on our business model, business and operating strategies, risks and opportunities, and our consumption of capital resources as well as future strategic priorities.

OPERATING YEAR HIGHLIGHTS

MMC has always strived for excellence in all areas of its business, and this year has been particularly good in terms of performance. A number of subsidiaries have hit milestones, gained recognitions and won awards, while others have accelerated their growth markets through joint venture with strategic partners.

Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") has set a new world record for a departing vessel with a final load of over 19,000 Twenty-foot-Equivalent Units ("TEUs"). The milestone was accomplished in June 2019, when *Monaco Maersk*, one of Maersk's 2nd Generation Triple-E vessels, left the port with the record load of 19,284 TEUs, surpassing the previous record load of 19,190 TEUs achieved by *MOL Tribune* vessel in February 2019.

Another major milestone for PTP was the historic calling of the Mediterranean Shipping Company's ("MSC") latest and largest container vessel, *MSC Gulsun*. The *MSC Gulsun* was on its maiden voyage in the South East Asia region and through its port call, PTP became the first port in the world to reach back-to-back record for the highest utilisation of a container vessel when the vessel left the port with the record load of 19,574 TEUs on 27 July 2019.

Efficient planning and execution of container operations and good optimisation of resources were identified as the reasons behind the feat. PTP has achieved continuous volume growth, surpassing 9 million TEUs.

Johor Port Berhad ("Johor Port") marked another milestone on its journey towards accelerating Innovation Excellence by earning the Star Class, which is the highest award tier at the Asia Pacific Quality Organisation ("APQO") Innovation Class Award ("AIC") 2019 in Bali, Indonesia. This achievement has positioned Johor Port as the first port in Malaysia to win top honours for its commitment to Innovation Excellence and proves its ability to demonstrate outstanding management capabilities while showcasing innovation.

Johor Port concluded the year with the most outstanding achievement ever since it commenced container terminal operations back in 1993. Johor Port successfully handled a record container volume of 1.04 million TEUs of containers in FY2019, an improvement of 11% over the previous year's volume of 0.94 million TEUs.

Northport (Malaysia) Bhd ("Northport") performed better in the conventional cargo business, having recorded its highest throughput in the past five years. Break Bulk and Roll-on Roll-off ("Ro-Ro") contributed to the increase in conventional cargo tonnage, recording a 10% and 75% increase respectively year-on-year.

CHAIRMAN'S **STATEMENT**

A significant development was the strategic agreement with Perusahaan Otomobil Nasional Sdn Bhd ("PROTON"), which paves the way for port services to be provided by Northport to PROTON. These services include vehicle storage services as well as the handling of PROTON vehicles at the terminal. With this, PROTON will continue to use Northport as their home port for export, import and transhipment of all its vehicles.

Another noteworthy mention was Northport earning the distinction of becoming Malaysia's first port to use an integrated drone closed circuit surveillance system, 24/7 for general surveillance, parameter monitoring and detection of suspicious activity.

Penang Port Sdn Bhd ("Penang Port") also saw a significant increase of passenger arrivals due to its emergence as a popular cruise destination especially since Spectrum of the Seas, the latest and largest cruise vessel, made its maiden call at the Swettenham Pier Cruise Terminal ("SPCT") with 5,622 passengers and crew on board. Penang Port is soon to proceed with its SPCT expansion plans to double its terminal capacity. Notably, the expansion plans are co-developed with Royal Caribbean Cruises Limited, the world's largest cruise ship operator.

Tanjung Bruas Port Sdn Bhd ("Tanjung Bruas Port") welcomed the first container vessel to call at its terminal; the 146-metre LOA *MV West Scent* with an exchange of 1,150 move counts. It was the first containerised shipment project handled by Tanjung Bruas Port.

Meanwhile, the Group's Engineering Division secured its first gas pipeline project in 10 years. The contract award marks MMC's re-emergence as a major gas pipeline contractor in Malaysia. Additionally, the Division achieved initial liquid flow at its Langat Centralised Sewage Treatment Plant ("Langat CSTP") on 3 October 2019. Langat CSTP received its first flow of 60,000 Population Equivalent (PE), which signifies its operational readiness to treat sewage inflow in stages from Cheras and Kajang. The plant is expected to process a flow of 230,000 PE, which covers approximately 40% of the catchment areas by early 2020 prior to releasing clean, treated water into Sungai Langat.

In FY2019, the Engineering Division also obtained several awards for its works on the Klang Valley Mass Rapid Transit (KVMRT) project, namely:

- January 2019: Community Engagement Award from Ground Engineering
- June 2019: Public Services Architecture Award at the Asia Pacific Property Awards 2019 for MRT SSP Line Elevated Station Serambi Design
- July 2019: Special Achievement in GIS (SAG) Award from Esri Inc.
- October 2019: Bentley Year in Infrastructure 2019 Awards for Reality Modelling Category

Bentley Year in Infrastructure 2019 Awards for Reality Modelling Category

MRT Kepong Baru International Award Winning 'Serambi' Station strikes a balance between aesthetics, commuter convenience and safety.

Within the Group's Energy and Utilities Division, Malakoff Corporation Berhad ("Malakoff") completed the RM869 million acquisition of Alam Flora Sdn Bhd ("Alam Flora"). The acquisition serves as a springboard for Malakoff to venture into the Waste Management and Environmental Services sector whilst offering synergistic opportunities to develop Waste-to-Energy ("WTE") projects going forward.

Malakoff also completed its acquisition of Khazanah Nasional Bhd's equity interest in the latter's Saudi Arabian assets, namely the Shuaibah 3 Independent Water & Power Plant and the Shuaibah 3 Expansion Independent Water Plant.

CHAIRMAN'S **STATEMENT**

Post-acquisition, Malakoff increased its overall power generation and water production capacity by 108 MW and 123,450 m^3/day, respectively.

Malakoff also disposed of its entire 50% participating interest in the Macarthur Wind Farm ("Macarthur WF") located in Australia for a cash consideration of AUD344.67 million (RM976.53 million). The disposal enabled the Group to unlock the value of its investment at a significant net disposal gain of RM557 million.

In addition, Malakoff also secured a 2.4 MW biogas plant and two small hydro projects with a combined capacity of 55 MW, through competitive tenders launched by Sustainable Energy Development Authority ("SEDA").

Gas Malaysia Berhad's ("Gas Malaysia") wholly-owned subsidiary, Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP"), signed two Gas Purchase Agreements ("GPA") in 2019 for the sourcing of biomethane to be injected into Gas Malaysia's Natural Gas Distribution System ("NGDS") network. The first GPA was signed in October with Kulim Green Energy Ventures Sdn Bhd followed by the second GPA signing with Kian Hoe Plantations Berhad jointly with Bio CNG Sdn Bhd, in December. Both these business ventures are part of Gas Malaysia's long-term sustainable strategy, which is to have an alternative renewable and sustainable source of gas supply.

Senai International Airport in Johor is Malaysia's only privately-owned commercial airport that has surpassed the 4-million-passengers per year mark, notching a new high of 4.27 million passengers in FY2019. This is a commendable 21% growth, the highest achieved amongst all airports in Malaysia. Senai International Airport continues to grow healthily, and its efforts have earned industry recognition.

STRENGTHENING OUR BUSINESS MODEL THROUGH GOVERNANCE & SUSTAINABILITY

As we pursue our financial objectives, we continue to align our business towards both financial and non-financial targets, in line with our commitment to sustainability, nation and community building.

The full details of our sustainability performance are provided in our Sustainability Statement section of this Annual Report on page 139.

MMC continues to embrace the principles of good governance in fulfilling our business objectives. Reflecting our firm anti-corruption stance, the Group signed the Ikrar Bebas Rasuah ("IBR") or Corruption Free Pledge on 21 August 2019.

The pledge reaffirms our strong commitment to uphold high standards of governance to combat any form of bribery and corruption within the organisation.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

MMC values the health, safety and welfare of its employees, contractors, clients, visitors and neighbours. Our four main HSE focus areas are management system, compliance with standards, leadership and commitment, and awareness and promotional campaigns.

Zero accident remains our goal, and we are steadfast in continuously improving our HSE standards across the Group. We have multiple Standard Operating Procedures ("SOP") that enable the Occupational Safety and Health ("OSH") management system and we stand to always comply with the existing regulatory and statutory requirements. We consider employees, contractors and stakeholders as part of the team to achieve our HSE objectives. Thus, we continued to inculcate HSE as an intrinsic part of our organisational culture and inherent to the MMC's way of performing our jobs.

Among key HSE initiatives in 2019 was Northport being the first Malaysian port to be awarded the ISO 45001:2018 standard. The ISO 45001 is an ISO standard for management system for Occupational Safety and Health. The certification is a testament that Northport is always committed to protect its employees, customers, contractors, service providers and port users from work-related accidents or diseases.

Meanwhile, several of MMC's operating companies received outstanding recognition and won several awards at the Malaysian Society for Occupational Safety and Health ("MSOSH") Award 2018. The recipients for these awards were Malakoff, Northport, Penang Port, MMC Pembetungan Langat Sdn Bhd ("MMC PLSB"), and MMC Engineering Sdn Bhd. It was an honour for the Group to receive these commendable awards as it demonstrates our commitment in ensuring outstanding levels of HSE standards. We are very proud that our safe working environment and excellent working conditions are being recognised through these awards.

CHAIRMAN'S **STATEMENT**

Various HSE activities were also organised such as the MMC Group HSE Day 2019. Northport, as well as Kontena Nasional Berhad also participated in the Workplace Accident Free Week 2019, which was organised by the Department of Safety and Health, in conjunction with National Occupational Safety and Health Week 2019.

Up north, Penang Port introduced "HSE Key Performance Indicators" using tangible indicators for the employees and port users to easily understand and appreciate. The approach is to use "Number of Days Without Lost Time Injury ("LTI")" instead of number of man-hours.

In the south, Johor Port reviewed the "SOP for Incident Notification and Investigation" to raise the standard of work practices and simultaneously established standard guidelines for accident investigation and reporting at department level.

Johor Port and its subsidiary, SPT Services Sdn Bhd also organised its annual HSE Day. With the theme "Work Safe, Get Home Safe", the programme symbolised Johor Port's continuous efforts and commitment in providing a safe and healthy work environment for the benefit of Johor Port's employees and stakeholders as a whole.

Meanwhile, PTP Global Safety Day was held in conjunction with APM Terminals Global Safety Day 2019 and was attended by more than 700 PTP employees, contractors and customers. PTP too, had launched its "Fatal 5 Standards" – five top risks had been identified and assessed and minimum controls had been defined and benchmarked against relevant standards.

SUPPORTING CORPORATE PHILANTHROPHY

As a corporate organisation, MMC carries out programmes and initiatives yearly to help the community. This includes supporting the underprivileged and rehabilitating mangrove forests.

Social investment will always be an important agenda for MMC as we work towards creating a lasting positive impact on the communities around us.

At the Group level, we are committed to continuously supporting the community through the annual MMC Prihatin Ramadan Programme. In total, more than 900 underprivileged families have benefitted from this Corporate Social Responsibility ("CSR") initiative.

On 24 October 2019, MMC kicked off its "Campus Lunch with MMC" programme at Universiti Kebangsaan Malaysia, Bangi. The programme was specially designed to provide university students from the B40 group with a full nutritious lunch. We understand that nutrition, health and well-being are important for the students in order to excel in their studies and achieve good results.

Malakoff also launched its CSR programme called "Jom Sarap" on 31 March 2019 for the second consecutive year. Under this initiative, a total of 985 schoolchildren from seven schools located in Mukim Serkat, Pontian, Johor received breakfast every morning. The programme, which was carried out from March till the end of the 2019 school year was rolled out to provide nutritious meals and elevate the students' focus and concentration in class, besides encouraging them to eat proper meals for sustenance and a healthier lifestyle.

The catastrophe of Kim Kim River in Pasir Gudang, Johor which was caused by illegal chemical waste dumping, had affected many people and their quality of life in the district. MMC had responded to this tragedy by donating essential health care items such as oxygen tanks and respirator masks. The endeavour was a collaborative effort between the state Department of Occupational Safety and Health and our many operating companies in the southern region, namely PTP, Johor Port, Senai International Airport and Senai Airport City Sdn Bhd (SAC).

On 11 April 2019, PTP, Lembaga Pelabuhan Johor ("LPJ") and Kelab Alami Mukim Tanjung Kupang planted 600 mangrove saplings in the Tanjung Adang coastal area near Gelang Patah.

Penang Port celebrated World Earth Day by regrowing a mangrove forest in Juru, Seberang Perai, Pulau Pinang on 23 April 2019. More than 100 volunteers planted 1,000 mangrove saplings sponsored by the Penang State Forestry Department.

On 3 September 2019, Johor Port collaborated with Majlis Perbandaran Pasir Gudang to organise an environmental awareness programme at SK Kota Masai 2. A half-day workshop, as well as throwing of mud balls into Sungai Buluh was held to help in cleaning up the river.

CHAIRMAN'S **STATEMENT**

Another key initiative was the annual "Back to School Programme". MMC PLSB handed over brand-new school necessities to 440 underprivileged students from 22 schools located within the Langat Sewerage Project network alignment in Cheras and Kajang. These schools also received first aid kits and mobile stretchers as part of continuously educating the schoolchildren on safety hazards near construction areas. Gas Malaysia organised a similar programme for 150 schoolchildren from Rumah Anak-Anak Yatim Baitul Lathofah in Rawang on 29 November 2019, while PTP contributed school aids to 170 primary and secondary students in Gelang Patah area.

Johor Port took the same initiative by contributing financial aid and brand-new school supplies in preparation for the new academic year in 2020 to a total of 100 underprivileged students from various schools in Pasir Gudang, Persatuan Kebajikan Al-Zarafee Johor and children of Johor Port's employees.

On 23 September 2019, the first ever Senai Airport Aero Camp was held at Senai International Airport with 110 students from 16 schools around Johor participating. The programme was designed to expose students to the diversity of professions in aviation such as airport operations, ground handling services, aviation safety and security, maintenance and engineering, business development and many more.

On 20 November 2019, PTP and its subsidiary Pelepas Terminal Inland Services Sdn Bhd as well as LPJ successfully handed over their first container library to Sekolah Kebangsaan (SK) Ladang Pendas, Gelang Patah, Johor Bahru as part of a joint CSR education-based project. The aim of this project was to enable reading and studying in a comfortable and conducive environment to more than 80 students, of whom many were from the Orang Asli community.

OUTLOOK AND PROSPECTS

We continue to see various challenges as we look into the future. Yet, we draw confidence in the strength of our business model and the strategies we have put in place to drive the Group and its respective business divisions towards achieving set goals and objectives. In Building Stronger Growth, we will leverage on our collective businesses' strength and continue to grasp new opportunities to create better value.

We are aware of the capitals drawn from and through our business model, which give us unique competitive strengths and capabilities. We are able to transform these capitals to create both financial and non-financial returns that benefit the nation, the industry we operate in and the society.

Beyond Malaysia, we will continue to explore and venture into new markets, which have similar characteristics; that is developing economies with a growing population and rapid economic development.

We reaffirm our commitment to support the nation in its quest to achieve sustainable growth. Our path and pace forward have been well set and we will take a journey together with our stakeholders towards greater growth.

APPRECIATION AND ACKNOWLEDGEMENTS

I wish to express my heartfelt gratitude to our 15,221-strong workforce whose dedication, expertise and spirit have been instrumental in the many achievements realised in FY2019. Our employees are and will remain our biggest asset as we look to maintain our growth momentum, moving forward.

I would also like to thank my fellow members of the Board for their wise counsel, contributions and overall stewardship of the Group. I wish to mention the efforts and leadership exemplified by our Group Managing Director, Dato' Sri Che Khalib Mohamad Noh and his management team, who have continued to steer the Group towards greater progress.

To our shareholders, thank you for your continuous vote of confidence to the Group, our business partners and suppliers across our value chains. Certainly, we wish to express our gratitude to the many Government agencies, regulatory bodies and authorities whom we worked and engaged with in FY2019. I am looking forward to your continuous support for the next financial year as we journey together towards continued progress and success.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

In Financial Year ended December 2019 ("FY2019"), MMC Corporation Berhad ("MMC" or "the Group") has exemplified resilience and strength, to continue registering encouraging progress on all fronts. Despite facing many challenges during a turbulent financial year, the Group has maintained its momentum of growth to continue delivering value for stakeholders.

MACRO-OPERATING ENVIRONMENT

As in previous years, a wide range of issues continue to impact the global and domestic economy. The on-going trade spate between major economies such as the United States ("US") and China, socio-political issues such as Brexit and tensions in the Middle East cumulatively contributed to heightened caution among businesses and investors.

Investor sentiments were generally bearish and economic growth from India, China and other key economies were lower than expected. In tandem, global economic growth in FY2019 moderated to 2.4%, one of its lowest levels since 2008-2009.

Malaysia, given its export-oriented open economy and its reliance on international trade and foreign investments, continued to feel the effects of slower global economic growth.

In particular, the lack of foreign direct investments, stiff regional competition from fast-growing economies such as Vietnam, Thailand and Myanmar and continued lack of public sector expenditure had stymied economic growth. In particular, the continued deferment of key infrastructure projects, specifically power plants, railway, public transport, gas pipelines and others have impacted many business sectors.

In FY2019, Malaysia's gross domestic product ("GDP") growth moderated to 4.3%, well below initial forecasts of 4.7%.

Amidst this backdrop, MMC has persevered in the execution of its business strategies towards strengthening its position as Malaysia's leading ports, infrastructure, engineering, energy and utilities group. We have continued to leverage on our long-standing industry experience and expertise, while tapping on innovative methods and new technologies to respond proactively to the challenges faced.

I am pleased to share that we have continued to create value for stakeholders as reflected in the various business divisions and operational highlights registered in FY2019.

GROUP MANAGING DIRECTOR'S STATEMENT

FIVE-YEAR HIGHLIGHTS	FY2019	FY2018	FY2017	FY2016	FY2015	% Change Between FY2019 and FY2018
KEY OPERATING RESULTS (RM' million)						
Revenue	4,712	4,984	4,160	4,627	5,057	-5%
Sales cost	2,824	3,324	2,619	2,862	3,210	-15%
Operating expenses	1,210	1,149	1,089	1,046	1,112	5%
EBITDA*	1,980	1,492	1,393	1,613	3,416	33%
Profit before zakat and taxation	522	403	436	673	1,974	30%
Profit after zakat and taxation	300	267	252	601	1,821	12%
Profit after tax and minority interest	255	220	210	550	1,669	16%
OTHER KEY DATA (RM' million)						
Shareholders' equity	9,344	9,560	9,490	9,527	9,037	-2%
Total Equity	10,107	10,293	10,208	10,225	9,970	-2%
Capital expenditure	700	964	623	586	838	-27%
Borrowings	10,381	10,683	8,825	9,046	8,723	-3%
Cash and cash equivalent	1,941	1,355	558	791	928	43%
SHARE INFORMATION						
Earnings per share (sen)	8.4	7.2	6.9	18.1	54.8	16%
Net assets per share (sen)	307	314	312	313	297	-2%
Market capitalisation (RM' million)	3,015	2,527	6,242	7,095	5,968	19%

**EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation*

REVENUE

In FY2019, MMC registered a stable revenue performance of RM4.71 billion, comparable to the previous year's RM4.98 billion. The revenue achieved was within the management's projections for the financial year.

The Group's revenue performance was consistent with the tough operating environment experienced in FY2019. There was lower revenue recognition from several key projects, notably the Klang Valley Mass Rapid Transit Sungai Buloh-Serdang-Putrajaya (KVMRT SSP) Line following a contract revision in November 2018 as a result of post negotiations with the Government, and from the Langat Sewerage project.

Revenue was cushioned by the consolidation of Penang Port Sdn Bhd's ("Penang Port") revenue, higher passenger volume at Senai International Airport and higher cargo volume handled at Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") and Johor Port Berhad ("Johor Port").

Despite the marginal 5% decline in revenue, MMC has registered stronger earnings in FY2019.

Once again, the Ports and Logistics Division remained the largest contributor to Group revenue, having accounted for approximately 68% of the total topline performance.

Supported by steady volume growth and contributions from consolidation of our acquisitions of new ports in recent years, the division contributed RM3.18 billion in revenue to the Group, a 6% increase from the previous year's RM3.00 billion.

The Engineering Division was the second largest contributor to Group revenue, despite being affected by the slowdown in infrastructure projects. The division's FY2019 revenue contribution to the Group was RM1.42 billion, a 25% reduction year-on-year (FY2018:RM1.89 billion). The drop is attributed to the aforementioned lower contribution from the KVMRT SSP Line and Langat Sewerage project.

The Group's Investment Holding, Corporate and Others division saw stronger revenue performance of RM108 million, a 13% increase year-on-year (FY2018: RM95 million), mainly on the back of higher passenger and cargo volumes derived from Senai International Airport.

GROUP MANAGING DIRECTOR'S STATEMENT

EARNINGS

On the back of continued cost and operational rationalisation and improved efficiencies, MMC saw improved earnings in FY2019. Earnings before interest, tax, depreciation and amortisation ("EBITDA") rose by 33% year-on-year to reach RM1.98 billion (FY2018: RM1.49 billion).

Accordingly, both profit before zakat and taxation ("PBZT") as well as profit after zakat and taxation ("PAZT") rose to RM522 million (FY2018: RM403 million) and RM300 million (FY2018: RM267 million) respectively. These translated to 30% and 12% increases respectively year-on-year.

Net earnings per share rose 16% to stand at 8.4 sen for FY2019 (FY2018: 7.2 sen).

Earnings were stronger on the back of reduced sales costs of RM2.82 billion, a 15% year-on-year reduction (FY2018: RM3.32 billion), while operating expenses have been effectively controlled.

Group PBZT and PAZT were bolstered by higher contributions from port entities and improved share of results from associates, namely Malakoff Corporation Berhad ("Malakoff"). Higher passenger volumes recorded at Senai International Airport also contributed to stronger earnings in FY2019.

From a divisional perspective, Ports and Logistics posted a stronger PBZT performance of RM449 million, 9% higher year-on-year (FY2018: RM413 million). Profits were higher from increased cargo volumes handled, notably at PTP and Johor Port.

In addition, PTP secured a 15% increase in port tariff duly gazetted by the Government, which contributed to an increase in revenue and profits.

The Engineering Division, impacted by slower work progress of key infrastructure projects, posted PBZT of RM289 million, 1% drop year-on-year for FY2019 (FY2018: RM292 million).

The Energy and Utilities Division recorded improved earnings with a 10% increase year-on-year to RM160 million (FY2018: RM146 million). Stronger earnings were attributed to higher contribution from Malakoff, arising from a one-off gain from the disposal of the Macarthur Wind Farm, fair value re-measurement gain on existing investment in its associate, lower barging and demurrage costs and lower net finance costs.

Gains were offset by the net effect of impairment loss on the carrying value of investment in Malakoff's associate, Kapar Energy Ventures Sdn Bhd.

STATEMENT OF FINANCIAL POSITION

The Group's total assets grew to RM26.45 billion, a 5% rise year-on-year (FY2018: RM25.30 billion). Despite a decline in property, plant and equipment, intangible assets and deferred tax assets, total assets growth was driven by an increase in investment properties and rights-of-use assets arising from the adoption of Malaysian Financial Reporting Standard 16 ("MFRS 16"), with the latter contributing RM2.09 billion.

Similarly, the Group's cash position improved significantly to RM1.94 billion, a 43% increase year-on-year (FY2018: RM1.36 billion). This further bolstered the Group's asset position.

Group liabilities remained stable with the only exception being finance lease liabilities of RM2.26 billion for FY2019, arising from the adoption of MFRS 16. Group liabilities remain well below assets. MMC is well positioned to discharge all liabilities going forward.

On the back of reduced borrowings, the management views the debt-to-equity ratio as reasonable, given that MMC's operations are of capital-intensive nature, notably the Ports and Logistics Division.

The Group continues to invest in capital expenditure ("CAPEX") to increase port handling capacities and to improve operating efficiencies.

We will continue to exercise prudence in managing our gearing ratio. Funding for our CAPEX and business expansion plans will be mainly sourced from internally generated funds.

At the same time, we continue to maintain our strong credit standing in our sukuk programmes. The Malaysian Rating Corporation Berhad has reaffirmed our credit rating of AA-IS/stable for our RM2.5 billion sukuk programme. Our subsidiary, Penang Port had issued a RM1 billion sukuk with a rating of AA-IS/stable during FY2019, a testament to the financial market's confidence in the strength and track record of companies within the Group.

Overall, CAPEX reduced to RM700 million, a 27% difference year-on-year (FY2018: RM964 million). The Group has authorised and contracted for capital commitments amounting to RM594 million, 23% higher year-on-year (FY2018: RM484 million) in FY2019.

BUSINESS AND OPERATIONAL HIGHLIGHTS

MMC has achieved various noteworthy successes across our business divisions. The full details of these highlights are provided in their respective sections of each business division in this MD&A.

Our Ports and Logistics Division continues to see volume growth despite the various factors impacting global trade. Across our ports, each has undertaken various strategic measures to improve productivity, cost efficiency and business competitiveness. Ports' infrastructure continue to be upgraded and expanded to increase operational capacity and capabilities in tandem with growing demand.

Our ports have strengthened their fundamentals to improve revenue generation and operational performance. Efforts have also been made to become more energy efficient and to manage carbon footprint through a wide range of green-based technologies and initiatives.

GROUP MANAGING DIRECTOR'S STATEMENT

The development of our ports provides a stronger foundation to increase our competitiveness in attracting international trade not just for the Group, but also in driving Malaysia's economic growth.

Looking at individual port operations, PTP registered another excellent year of commendable performance in the areas of revenue growth, business profitability and productivity. PTP surpassed the 9 million Twenty-foot Equivalent Unit ("TEU") mark when it handled 9.1 million TEUs in FY2019.

The port continues to affirm its status as a major regional transhipment hub, driven by the strategic partnerships forged with 2M Alliance and several major shipping lines.

PTP also had the honour of being the first port in the region to receive the world's largest vessel, the *MSC Gulsun*, which departed from PTP with a world record-breaking load of 19,574 TEUs.

Similarly, Johor Port surpassed its own benchmark when it handled more than 1 million TEUs for its container business. Johor Port continues to be one of the beneficiaries from the US-China trade wars with businesses from China relocating to Johor, specifically Iskandar Malaysia and Pasir Gudang.

One of our key highlights was the continued success of our Johor Port Skills Centre ("JPSC"). Initially established to develop the Group's port workforce, JPSC has become a leading learning and skills development centre for the domestic ports and logistics industry, as well as from Indonesia and other neighbouring countries.

Penang Port received the largest share of the export volume from Southern Thailand, of approximately 72%. Penang Port also continues to experience growth from its cruise segment, which not only benefits the port but also Penang island's tourism sector. Existing expansion works will allow for berthing of two *Oasis*-class cruise vessels, thus doubling passenger handling capacity to 12,000.

GROUP MANAGING DIRECTOR'S STATEMENT

Despite the lack of tenders called for large-scale infrastructure projects, our Engineering Division maintained an order book of RM6,620.6 million as at end 2019. This will keep the division busy for the next two to three years.

One of the main jobs secured in 2019 was the PETRONAS Peninsular Gas Utilisation ("PGU") gas pipeline contract, the Group's first pipeline contract in 10 years. The contract marks MMC's re-emergence as a major gas pipeline contractor in Malaysia.

The division also continues to exemplify operational and project management excellence, reflected in the continued progress made on contracts in hand. All major construction projects such as the KVMRT SSP Line and the Langat Sewerage project are nearing completion with works progressing on or ahead of schedule.

Our Energy and Utilities Division continues to make inroads into the renewable energy ("RE") sector. Through Malakoff, the Group managed to secure quota for RE projects in the small hydro and biogas projects.

The acquisition of Alam Flora Sdn Bhd ("Alam Flora") will be a springboard for Malakoff to expand into the waste management and environmental services related business.

The increase in environmental issues in Malaysia, as well as plastic waste pollution, presents opportunities for MMC to play a bigger role in addressing these issues while contributing to the nation's Green House Gas ("GHG") reduction targets. This is in line with the Government's commitment towards battling climate change as well as lending support to Malaysia's compliance of the Paris Agreement.

Gas Malaysia Berhad ("Gas Malaysia"), now in its 27th year of operations, continues to play its strategic role as an innovative value-added energy solutions provider.

With the increasing liberalisation of the gas sector, Gas Malaysia had undertaken various strategic measures to tap on emerging opportunities. One of which is expanding its business portfolio into non-regulated businesses. These include Combined Heat and Power ("CHP") systems, Virtual Pipeline and Bio-Compressed Natural Gas ("BioCNG").

On the back of increased gas sold, Gas Malaysia posted higher revenue and earnings. It has further expanded the length of its gas distribution pipeline network by physically completing an additional 134 kilometres of pipeline, raising the total 2,468 kilometres of gas pipeline in operation within Peninsular Malaysia. It is also nearing completion for its Kinta Valley pipeline. This will enable it to tap into a larger number of industrial customers within the area.

We take pride in safeguarding the excellence of our business by ensuring gas supply reliability is never compromised at any cost. This commitment is what enabled us to achieve a supply reliability rate of approximately 99% for the year under review.

Our airport operations via Senai International Airport registered a profitable performance on the back of another record-breaking year in its passenger growth rate.

In 2019, Senai International Airport registered a double-digit passenger growth of 21% year-on-year with 4.27 million passengers traversing through its gates.

Cargo volume expanded by 52% year-on-year. Likewise, non-aero contributions also showed encouraging growth. Flight frequencies from Senai International Airport continue to increase with new airlines choosing the airport as its regional destination for flights to Malaysia and South East Asia.

BUSINESS MODEL AND STRATEGIC SYNERGY

The Group's business model has always been centred on infrastructure development as well as infrastructure management and operations towards generating stable and recurring revenue streams. Our strength is derived from our diverse business presence across multiple industries that are integral to economic growth and nation building.

We have the ability to tap on our resources, be it assets, technology or our 15,221-strong workforce to deliver stronger value propositions to customers. It is this cross-functional sharing of ideas, knowledge, personnel and other resources that is unique to MMC.

In FY2019, we have looked to harness greater synergy across our business model, notably between our operating companies. The Engineering Division has been a beneficiary of such strategic collaborations, being able to source for infrastructure development projects from our ports, as well as our other business divisions.

Similarly, there have been other synergistic opportunities realised in FY2019. Our water business, which is managed by Aliran Ihsan Resources Berhad ("AIR Berhad") is supporting Johor Port in the area of non-revenue water ("NRW") management.

Kontena Nasional Berhad ("Kontena Nasional") and our ports work together to provide seamless, comprehensive logistics solutions for customers. Equally encouraging is the strategic inter-port co-operation towards presenting cost-effective solutions for liners and customers.

Collaborations between operating companies will help contain revenue flow and allow us to present more robust proposals when

GROUP MANAGING DIRECTOR'S STATEMENT

bidding for contracts. However, such synergies must come with commercial and operational feasibility, which will enhance value creation for stakeholders.

Further details on our business model are provided in the Business Model section of this Annual Report.

MANAGING RISKS

We continue to manage our risk appetite in relation to potential returns. While we remain aggressive in pursuing business growth, we remain steadfast in undertaking all necessary due diligence as provided under the Group's comprehensive risk management framework. The internal risk framework has been developed according to the internationally recognised ISO 31000 standard.

The Board of Directors has clear visibility on risks through the Group's Finance, Investment & Risk Committee ("FIRC"), whose members are highly experienced and professionally qualified in steering a strategic path towards effective risk mitigation.

The FIRC is supported by the Executive Management, as well as several committees who have oversight on risks at the Group level. These committees include the Board Audit Committee and the Nomination and Remuneration Committee. Risks are also managed at the respective operating companies and business divisions.

The Board continues to be guided by its Board Policy, Board Charter, Terms of Reference for Board Committees, Code of Ethics and Corporate Disclosure Policies and Procedures.

We have also engaged external stakeholders, particularly the investor community in sharing our business plans and strategies, as well as risk mitigation efforts.

Further details on our risks factors, prescribed mitigation measures and linkage to business strategies and impacts are provided in the Risks Section and the Statement of Risk Management and Internal Control of this Annual Report.

FUTURE ORIENTATION AND STRATEGIC PRIORITIES (OUTLOOK AND PROSPECTS)

The unexpected but adverse, Covid-19 pandemic will impact global economic growth. No nation has been spared of its devastating effects and economies will need time to recover to full momentum.

Stock markets are feeling the brunt of massive selldowns while commodities continue to spiral on the back of weak demand and poor investor sentiment. Crude oil prices, which had begun FY2020 at a high of USD67 per barrel now sit at below USD28 per barrel*.

Given the prevailing global macroeconomic trends, cautious investor sentiment and lack of public infrastructure development, we foresee conditions to be extremely challenging, going forward, especially for the first half of FY2020.

If Covid-19 is effectively dealt with in the first six months of 2020, it is possible to see a gradual but steady recovery in the global economy.

However, growth could still be hampered by other factors such as the prolonging trade issues between China and the US, as well as plummeting crude oil prices.

A worsening of trade tensions may cause disruptions to global value chains and trade. This may increase the likelihood of firms postponing or cancelling investment plans, which in turn, may affect countries such as Malaysia, which is dependent on foreign investment and trade.

MMC will continue to leverage on its inherent strengths towards realising set business goals and targets, while creating value for stakeholders. Our businesses operate in key sectors of the economy and play vital roles in their respective value chains. As such, MMC is vital to nation building and to the nation's economy. There are also new opportunities to tap on. The Alam Flora acquisition opens the pathway to penetrate into the high potential environmental services niche segment. In Malaysia, the environmental services sector remains a largely untapped market and there is considerable potential for growth going forward.

With regards to energy, the ongoing focus on RE, especially solar and small hydro provide opportunities for the Group. Having secured the biogas and small hydro projects as mentioned earlier, we are well placed to expand further when bids for Large Scale Solar ("LSS") are called.

The reintroduction of competitive bidding, opening up of fuel sourcing, access to transmission grids and the liberalisation of the retail segment are likely to enhance efficiency along the value chain and in turn, drive down production costs. It will generate steady income for the Group, while also complementing our Energy and Utilities Division's capabilities.

With regards to Gas Malaysia, the implementation of third-party access provides us with the flexibility to source for alternative gas sources, which augurs well for us going forward.

The water industry also presents encouraging opportunities, given the stronger focus placed by the Government towards achieving water security. There has been a growing shift towards addressing water issues, by both the private and public sector.

Malaysia's water industry remains beset by various challenges and issues. These include delays in water tariff revisions, rising NRW loss, lack of infrastructure and the need to increase wastewater recycling to reduce the strains on existing water resources. MMC has the capabilities, experience and technology to address these issues.

Looking at the construction sector, we expect operating conditions to remain challenging, given the lack of infrastructure spending due to continued deferment or cancellation of projects.

The Engineering Division is still able to tap on engineering and infrastructure projects from companies within the Group. We do look forward, however, to the Government reviving large-scale projects that would be beneficial to the nation.

** As per Bank Negara Malaysia's Economic and Monetary Review and Financial Stability Review issued on April 3 2020.*

GROUP MANAGING DIRECTOR'S STATEMENT

Malaysia is still a developing country and infrastructure investments and developments are very much required towards building the nation, in fuelling the development of the economy, in creating jobs and facilitating transfer of knowledge and technology. The country has an urgent need for efficient and cost-effective public transport systems, gas and sewerage pipelines, energy assets and other infrastructure that will drive the progress of the nation and its people.

MMC, given its proven track record for on-time and within-budget completion, management and operation of projects will be primed to take on these projects, if and when revived.

Our Engineering Division may also undertake studies on existing Government plans and where possible, recommend more effective alternatives based on our own proposed concepts and designs.

Operational excellence and cost efficiency will be further prioritised. We foresee that going forward, price sensitivity will be a key factor when bidding for contracts, be it for the private or public sector. We will continue to search for ways to improve work methodology by introducing cutting edge technology and workable strategy towards providing the best possible value proposition to clients in addition to generating better returns to the shareholders.

As we look to become more cost competitive, we must continue to uphold operational and service excellence, delivering on, or even exceeding set benchmarks for quality and service.

Pertaining to our Industrial Development Division, industrial property remains comparatively resilient, compared to residential or commercial property. Foreign Direct Investment ("FDI") appears to be improving and we are ready with a vast amount of infra-ready landbank, mainly located in high-growth industrial areas such as Senai, Johor and Kulim, Kedah.

Our Ports and Logistics Division will continue to serve as our core revenue generator for the Group. The focus remains on responding to increasing competition by expanding capabilities, strengthening our partnership with the shipping alliances and targeting the hinterland to boost cargo volumes. We will continue to focus on optimising the synergistic possibilities between our ports, both commercially and operationally.

While Malaysia remains the primary location of operations for MMC, the management is of the view that replicating our proven business model overseas could be an effective strategic move towards realising greater growth, given suitable opportunity.

Overseas expansion reduces our dependence on a single geographic location and further diversifies our income. It enables MMC to establish a presence that will lead to more opportunities. As such, we are constantly on a look out to venture into industries in which we have existing experience and expertise; and countries, which we are already familiar with.

APPRECIATION AND ACKNOWLEDGEMENTS

MMC has continued to progress during a challenging year and credit is to be given to all parties involved in our business growth.

I wish to express our gratitude to the Government for entrusting key nation building projects to MMC, and to the many regulatory bodies for their continued assistance, engagement and cooperation rendered during the financial year.

I also thank our esteemed Board of Directors for their stewardship of MMC and for their respective contributions via the various Board Committees. I express the same to the Senior Management of the Group and the operating companies for their dedication and professionalism in FY2019.

In the same vein, I extend my appreciation to the Group's many business partners, customers, contractors and shareholders for their unwavering support to MMC and to our shareholders for their continued vote of confidence in the Group.

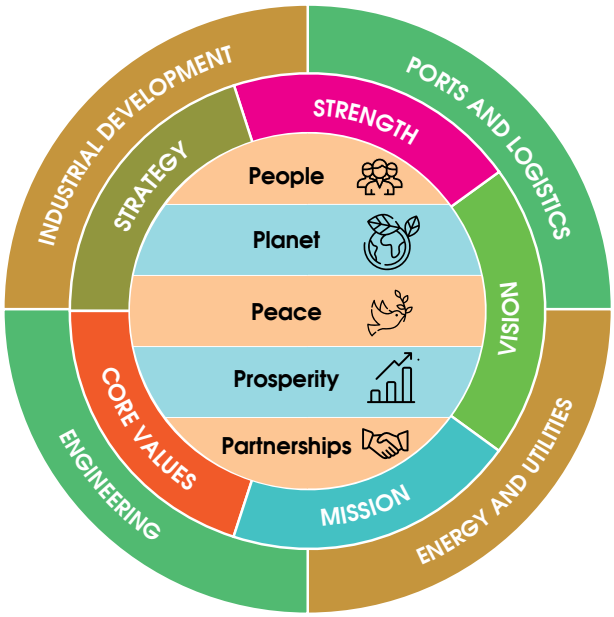
I reserve a special note of thanks to our workforce whose professionalism and tireless commitment have no doubt, been instrumental in the achievements made in FY2019.

Together, we have made significant strides to scale greater heights, unlock exceptional potential and deliver tremendous shared value. Let us now journey on together, in partnership and co-operation to tap greater opportunities that lie ahead.

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS - STRATEGIC REVIEW

VALUE CREATION STATEMENT



As a leading utilities and infrastructure Group, MMC Corporation Berhad is steadfast in its commitment to contribute to nation building and the country's socio-economic growth.

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

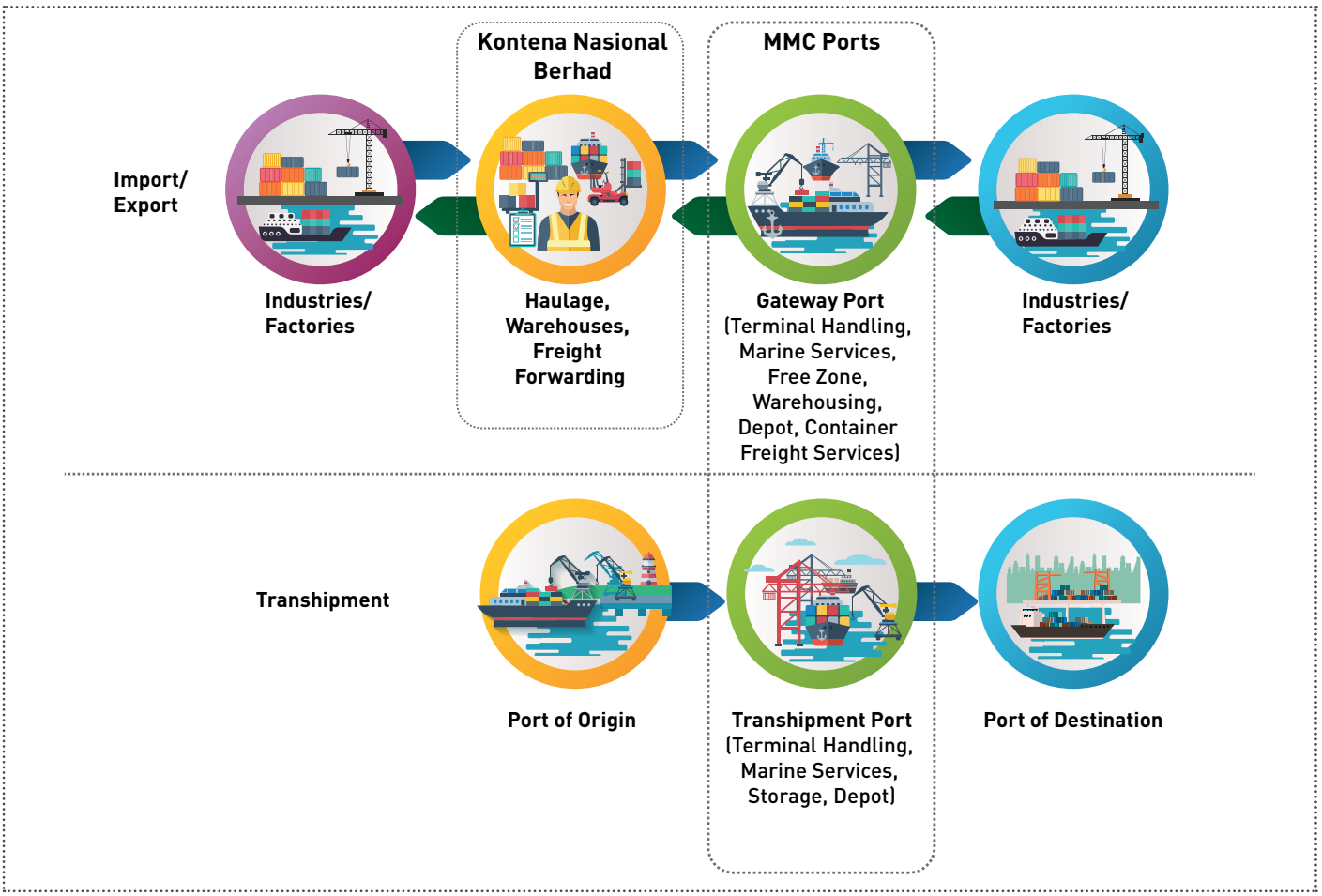
Aside from revenue, profits and other financial values, each of our respective businesses contribute to the creation of values that are aligned to the 5Ps of People, Planet, Peace, Prosperity, and Partnership.

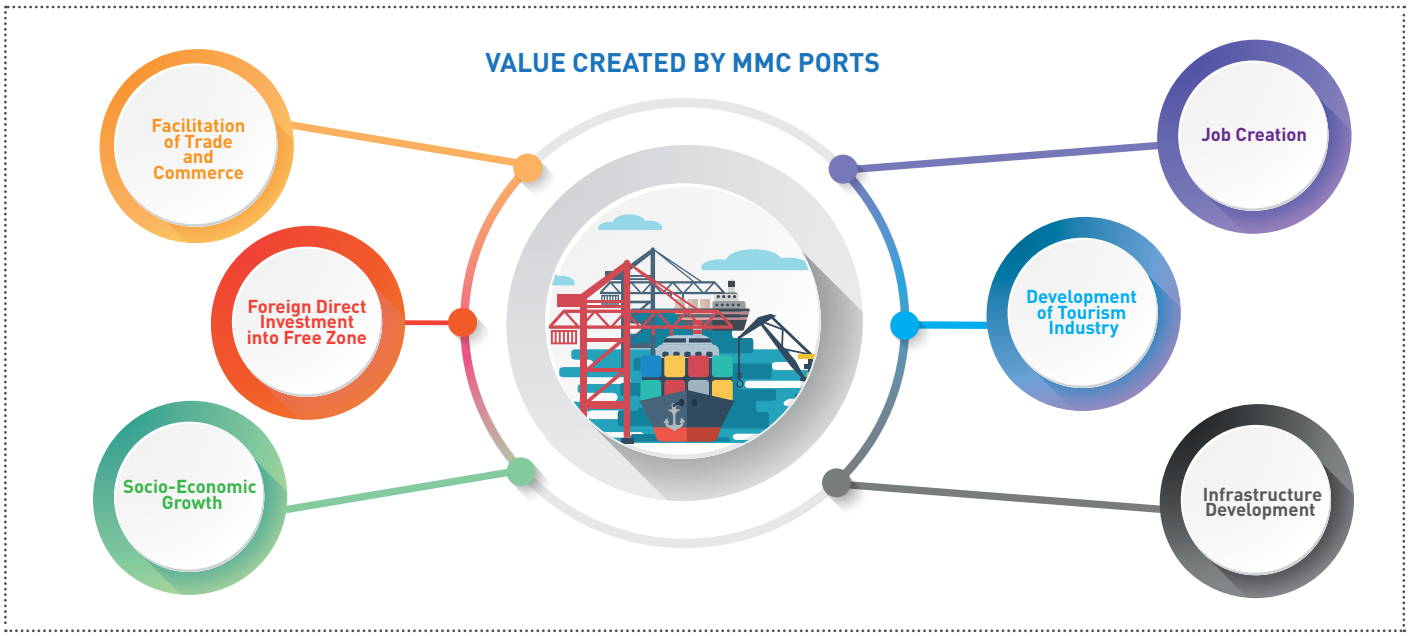
Our Contribution to the 5Ps

5Ps	Contribution to Value Creation
People	Through our business model and activities, we create job opportunities not just within the Group, but across the value chain and industries in which we operate in. We serve as a catalyst for knowledge and skills transfer, providing much needed expertise to develop local talents within the country
Planet	As we build a better future and create value, we continue striving to maintain a sustainable environmental footprint, ensuring that we safeguard the planet and its resources for future generations. We continue to adopt "green" technologies and to transition our business model towards a more sustainable and earth-friendly means of operations
Peace	We remain committed to equitable development, focusing on ensuring that the fruits of our progress and success benefit all stakeholders. We continue to ensure that all segments of society reap the benefits of socio-economic progress and can enjoy the outcomes of prosperity
Prosperity	The trade and economic development that our ports facilitate, the MRT systems and other infrastructure that we build, the electricity we provide and the travel and tourism that our airport enables, unlocks tremendous economic potential and allows for socio-economic development. Ultimately, we contribute to a more prosperous nation as communities, families and even regions are uplifted
Partnership	We continue to forge collaborations with strategic partners across our businesses towards building a better future. Beyond technology and knowledge transfer, we form partnerships across our value chains – cascading our values and culture for good corporate governance to ensure progressive development of more sustainable industries that espouse good business practices

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - PORTS AND LOGISTICS





MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - PORTS AND LOGISTICS

Serving as one of the nation's main gateways for trade, MMC's five ports play a key role in the economic progress of the country. In FY2019, our ports cumulatively handled 14.3 million TEUs of container cargo and 37.8 million FWTs of conventional cargo. Beyond throughput volumes, the nature of ports is that it creates value in a number of ways:

- As an integral component in the movement of goods (and services), our ports have a vital role in driving international and local trade as well as creating a strong, cascading multiplier effect that spurs local economic growth
- Supporting the country's tourism industry via our cruise terminal in Swettenham Pier Cruise Terminal ("SPCT") in Penang, managed by Penang Port, where in FY2019, SPCT handled 1.16 million total passengers

MMC'S MALAYSIAN PORTS: OPERATIONAL DATA

Year 2019	PTP	JOHOR PORT	NORTHPORT	PENANG PORT	MMC PORTS
Capacity (million TEUs)	12.5	1.2	5.6	2.0	21.3
Throughput (million TEUs)	9.1	1.0	2.7	1.5	14.3
Capacity Utilisation	73%	83%	48%	75%	67%
Local : Transhipment	7:93	99:1	52:48	95:5	32:68
Water Depth (metre)	15.0 – 18.0	11.6 – 12.1	11.5 – 17.0	11.0 – 12.0	-
No. of Container Berths	14	3	14	6	37
Container Quay Length (KM)	5.0	0.7	3.0	1.5	10.2
No. of Container QC	58	8	34	12	112

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - PORTS AND LOGISTICS

FEATURES	DESCRIPTION
The Ports and Logistics Industry	**Key Strengths** • Stable business model with long-term port concessions • Continuous market demand for products, either finished products from end-consumers or raw materials from manufacturers • Enabler to the evolution of global trade driven by trade cooperation and policies between Governments and companies, regionally or globally, including rapid growth of the e-Commerce industry • Vast improvement of opportunities in the industry with ongoing technological developments including automation and digitalisation initiatives **Risks and Challenges** • High CAPEX and OPEX investments required for infrastructure, equipment and systems, for example to cater for increasing vessel sizes and larger volumes to be handled • Emergence of major shipping alliances (e.g. 2M Alliance, Ocean Alliance and THE Alliance) creates bigger negotiation power by the alliances over the ports • Stiff competition amongst other local and global port/logistic operators in terms of prices and efficiency of operational capabilities • Large manpower requirements with typically high turnover especially for specialised skills
MMC Ports' Key Features / Assets & Winning Factors	• MMC Ports is the largest port operator in Malaysia with five ports namely PTP, Johor Port, Northport, Penang Port, and Tanjung Bruas Port • All five ports are strategically located along the Straits of Malacca, one of the world's busiest trade and shipping lanes between East and West Region • Total capacity to handle up to 21.3 million TEUs of container throughput • Connected to over 300 ports of call with more than 181 weekly services • Operates one of the world's leading transhipment hub i.e. PTP (18th largest globally) with strong partnerships with shipping liners (i.e. Maersk and MSC) • Gateway ports are supported with cargoes from both growing and matured hinterland with good transportation links (i.e. Johor Port for southern region, Northport for Klang Valley, and Penang Port for Northern Malaysia and Southern Thailand) • Operates the world's largest palm oil/edible oil terminal (i.e. Johor Port) • Operates an international passenger cruise terminal in Penang, namely Swettenham Pier Cruise Terminal which is undergoing an expansion in partnership with Royal Caribbean Cruise Ltd • Hosting Regional Distribution Centres ("RDCs") within Free Zone areas particularly in PTP and Northport • Growing operational synergy among ports and the creation of an integrated logistics value chain • Seamless service via the provision of door-to-door propositions for customers • Optimised transportation costs via total logistics packages • One-stop centre for integrated, hassle-free solutions for timely and safe delivery of cargo • Key selected characteristics of port infrastructures, facilities, and equipment at one or more of MMC's ports: ▶ Latest generation quay cranes i.e. super post Panamax quay crane to cater for Ultra Large Container Vessels ("ULCV") ▶ E-RTG and Hybrid RTGs which is green-tech based and more environmentally friendly ▶ Sheltered deep sea ports ▶ Linear berths that cater for large container vessels ▶ Availability of land for RDCs, Free Zone warehouses and berth expansion ▶ Multipurpose ports well adept at catering for diverse type of cargoes ▶ Rail freight services by KTMB MMC Cargo (a joint venture between MMC and Keretapi Tanah Melayu Berhad ("KTMB")) provides inter-terminal transfer ("ITT") movement of containers by rail to increase synergies in the rail-port freight segment complementing ports owned by MMC

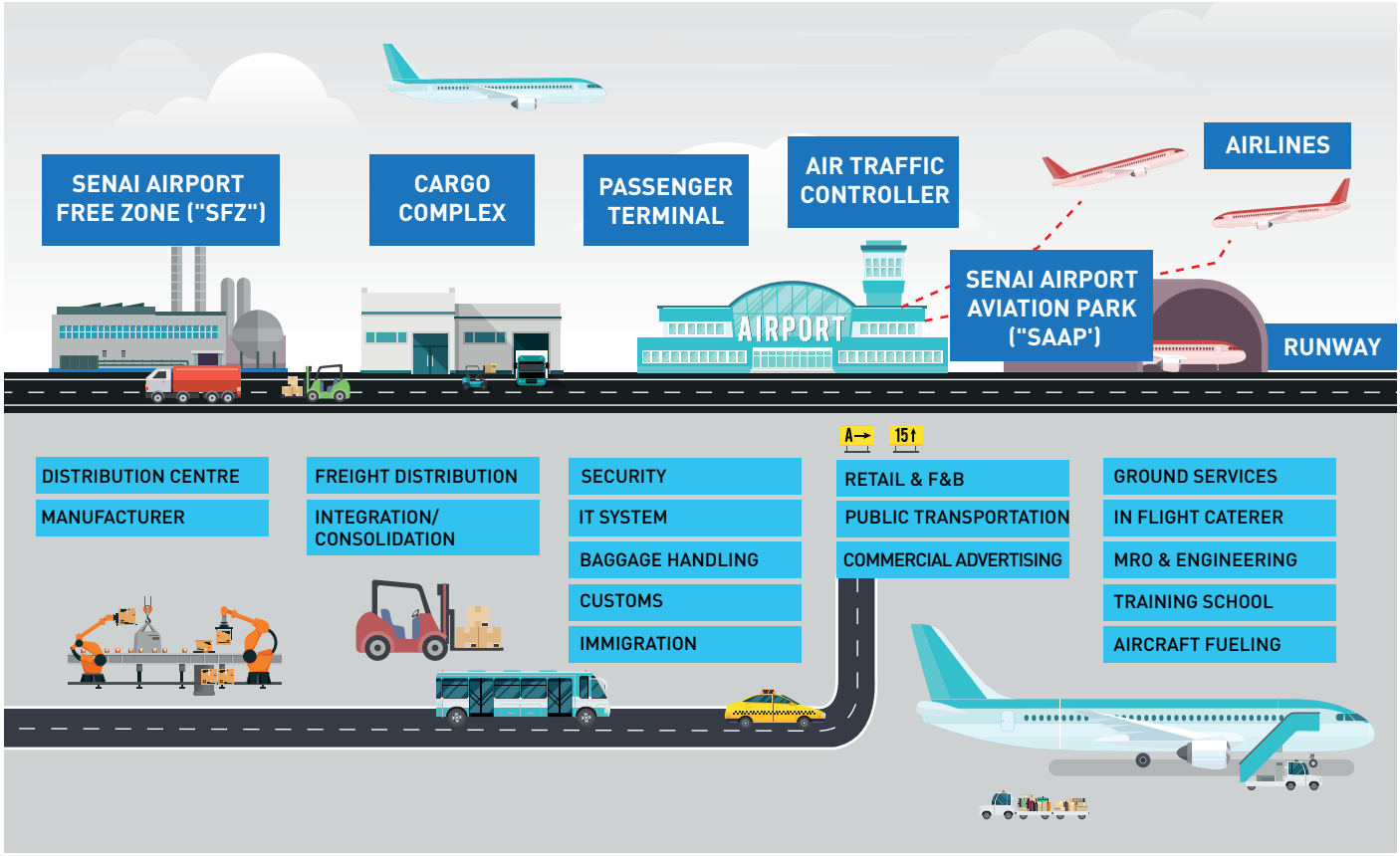
MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - PORTS AND LOGISTICS

Kontena Nasional Berhad ("Kontena Nasional") complements the ports and logistics network by providing a key link between suppliers to ports and between ports to customers through various services offered such as forwarding, warehouse management and transportation management. With the current strength of more than 630 personnel, Kontena Nasional supports the National Policy of Empowering Human Capital by generating skilled jobs via continuous training and learning programme and offering competitive salaries and wages. Kontena Nasional also supports the solid global partnership element by building strong connection with its international networks and agents to serve its customers locally and globally.

FEATURES	DESCRIPTION
Kontena Nasional's Key Features / Assets and Winning Factors	A proven brand name with a 40-year track record and a well-established presence across Peninsular Malaysia. Kontena Nasional has proven capabilities in handling logistics for niche industries such as oil and gas as well as scheduled waste. It operates seven distribution centres encompassing over 500,000 sqft and 4 million sqft in total, of covered and open storage space respectively. Kontena Nasional has a comprehensive business operation, encompassing warehouse and yard facilities, haulage and freight forwarding operations. Kontena Nasional remains one of select few Government-appointed multimodal transport operators and possesses global representation and coverage through a network of strategic partners.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - SENAI INTERNATIONAL AIRPORT



As the only airport in Johor state, Senai International Airport plays a vital role in not just facilitating air travel to and from the state, but also in driving commercial and industrial activities. As an enabler of speedy and efficient transportation, Senai International Airport serves as a key gateway and catalyst for economic activity towards driving tourism, retail activities and also infrastructure development.

Senai International Airport provides the required infrastructure and facilities for departing, transferring and arriving passengers and cargo, as well as for all other commercial activities involved at the airport. As a multimodal hub, the airport offers an attractive marketplace and business location for endless opportunities. The airport's myriad of processes within its value chain are performed by a large number of parties, and in many cases, responsibility is shared with the airport's various business and industry's partners.

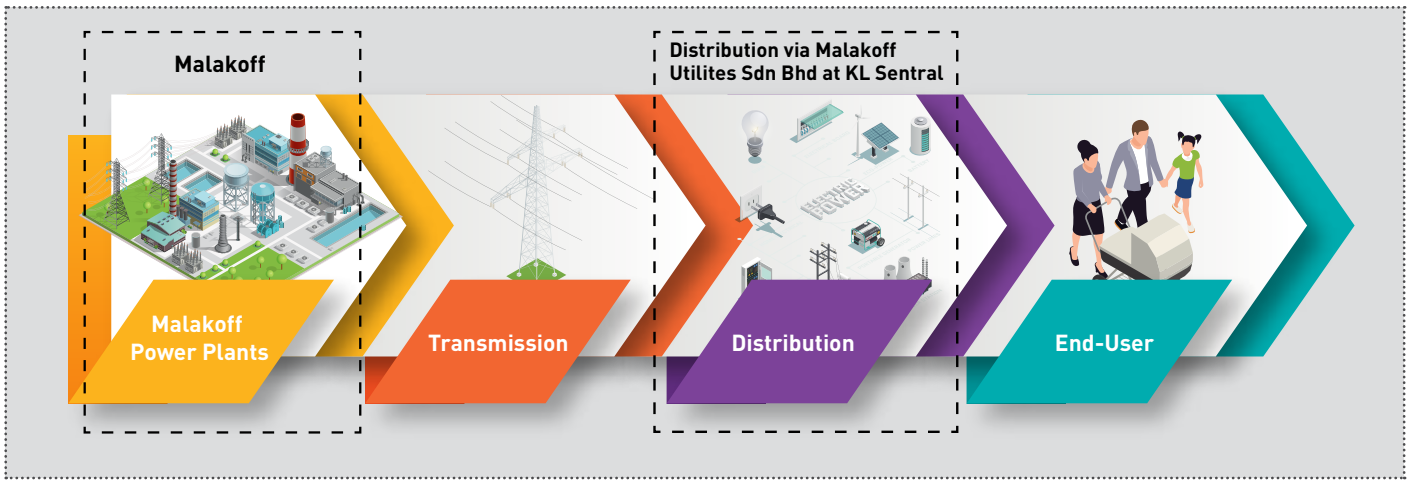
Senai International Airport's value chain is backed by airport authority, airlines, manufacturers, Government agencies, retailers, tenants, and more. The overall direct and indirect workforce comprises close to more than 3,000 talents. The airport creates various job opportunities for highly trained professionals and general workers alike to support its operations and thus contributes to the surrounding community's socio-economic development.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - SENAI INTERNATIONAL AIRPORT

FEATURES	DESCRIPTION
The aviation industry and airport sector	**Key Strengths** • Located within the fast-growing economic region of Iskandar Malaysia • Sole commercial airport in Johor, Malaysia and the preferred aviation gateway for southern Peninsular Malaysia **Risks and Challenges** • Growing requirement for CAPEX to meet passenger and cargo growth • Exposure to a wide range of macro-economic factors beyond Senai International Airport's control i.e. epidemic, fuel prices, CAPEX, trade wars or diplomatic conflicts between nations, changes in Government policies
MMC's Key Features / Assets, Resources for this Industry	• 3.8 kilometres runway length that can cater to the largest commercial and cargo aircrafts • 41,859 sqft commercial/retail space of which, 92% are occupied by 76 local and international brands • 80,000 Tonnes Cargo Terminal capacity that is fast emerging as a hub for general cargo, oil and gas and live products for the southern region • 107.4 acres Senai Airport Free Zone ("SFZ"). Current SFZ tenants are Celestica (electronic components manufacturer), Pokka (beverages manufacturer) and BMW Regional Distribution Centre. 8.4 acres of land still available for development • 42.2 acres Senai Airport Aviation Park ("SAAP") dedicated area for Maintenance, Repair and Overhaul ("MRO") activities, Fixed Base Operator ("FBO") and general aviation activities. Current SAAP tenants include Executive Jets Asia (FBO), Sapura Technics (MRO), and C&A Aviation (MRO and light aircraft parts distributor). There are now only 22.2 acres of land available at SAAP for future development
Winning Factors of MMC that allow it to operate sustainably within this value chain	• Only privately operated commercial airport in Malaysia and as such, benefits from the following advantages: ▶ Greater strategic independence to respond proactively to market and operating conditions ▶ Able to operate as a private business entity i.e. offering airport management and operations services to clients. This was evident with Senai Airport Terminal Services Sdn. Bhd. ▶ Securing the Kertih Airport maintenance and operations contract from PETRONAS ▶ Better positioned to offer one stop and customised solutions for airlines and cargo customers

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - ENERGY AND UTILITIES



As the nation's largest independent power producer ("IPP") via Malakoff, the Energy and Utilities Division is responsible for 23% of total electricity delivered to the national grid. Malakoff's plants in Malaysia provide an effective power capacity of 5,910 MW. Overseas ventures have an effective power capacity of 588 MW and produces 472,975 m^3/day of desalinated water.

Our power plants continue to play their vital role in meeting the nation's energy needs. Through our power plant operations, we directly provide about 1,000 jobs while the electricity we generate and supply supports a wide range of business, commercial and industrial activities on a daily basis.

With the expected rise in electricity consumption in Malaysia, in line with increasing urbanisation and rapid industrialisation in the country, we foresee that energy and utilities will remain as an important industry and continue to have bright prospects for the Group. Going forward, we continue to accelerate efforts to transition our energy generation mix towards renewable energy ("RE") sources, which include solar, small hydro, etc. and are venturing into new opportunities in Waste Management and Environmental Services.

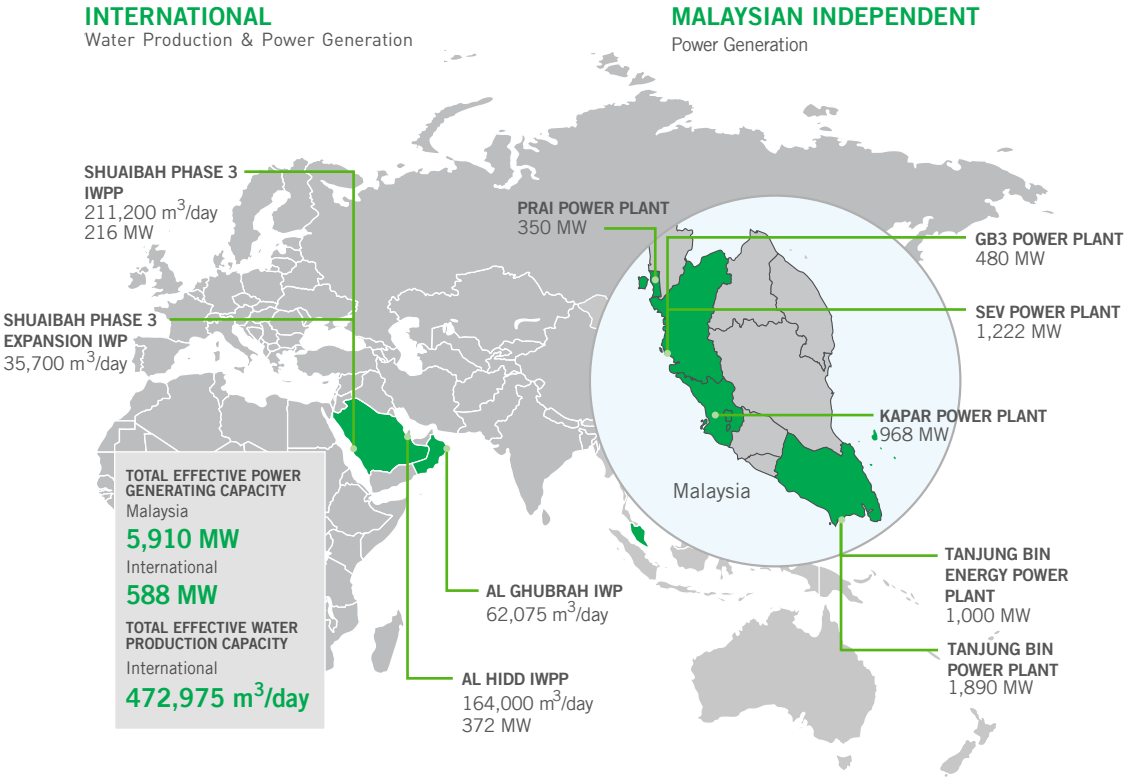
Our drive to produce cleaner low carbon energy began with our venture into wind energy and we are now seeking opportunities to expand our portfolio of RE assets. We are currently collaborating with relevant stakeholders to develop new ways to address the global challenge to reduce emissions in our operations.

FEATURES	DESCRIPTION
Energy and Utilities Industry (Malakoff)	**Key Strengths** • Attractive portfolio of power generation and water production assets globally with stable returns • Well-positioned to benefit from growth in electricity and water demand in target markets • Extensive, established and successful track record in both greenfield and brownfield projects in the utilities sector • Potential opportunities in Waste-to-Energy projects through expansion into the waste management and environmental services sector • Solid balance sheet, strong cash flows supported by long-term PPAs, high credit quality counterparties **Risks and Challenges** • Regulatory/policy changes • Expiring PPAs that may result in a decline in capacity • Ensuring continued availability and reliability of plants
MMC's Key Features / Assets, Resources for this Industry	• Conventional power generation, water production and RE capacity of 6,498 MW, 472,975 m^3/day and 239 MW, respectively • Growing presence in the RE sector, particularly in solar, small hydro and biogas projects, in line with the Government's target to increase the country's RE capacity mix to 20% by 2025

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

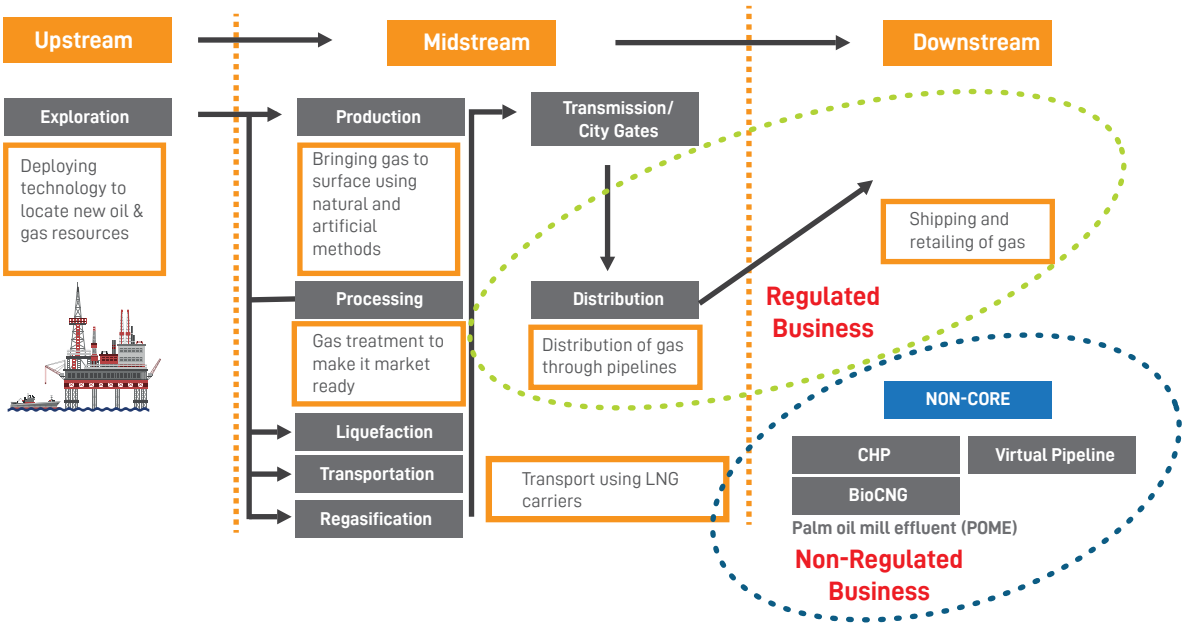
INDUSTRY VALUE CHAIN - ENERGY AND UTILITIES

Malakoff's Domestic and International Footprint



Position in Gas Industry Value Chain

Well Positioned to Benefit from Industry Liberalisation



MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - ENERGY AND UTILITIES

Given the magnitude of our reach in Peninsular Malaysia, we procure, market and distribute reticulated natural gas and Liquefied Petroleum Gas ("LPG"); as well as develop, operate and maintain the Natural Gas Distribution System ("NGDS") network for the non-power sector in Peninsular Malaysia.

Gas Malaysia is focused on expanding the Natural Gas Distribution network to reach economically potential underserved areas that hold much promise for future sustainable growth. At present, we own 2,468 kilometres of gas pipeline in operation throughout Peninsular Malaysia.

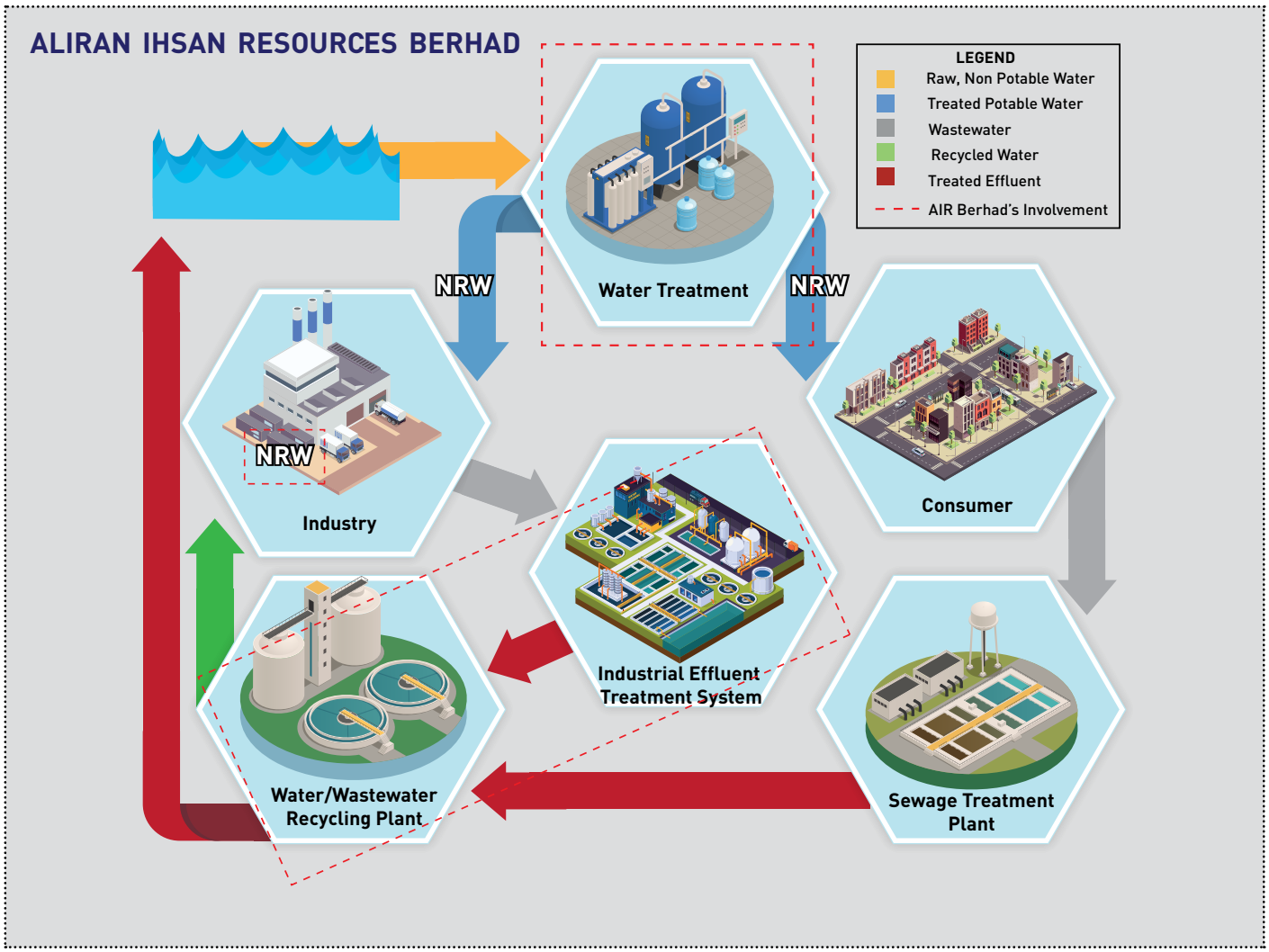
We cater to gas demand from industrial, commercial and residential sectors accordingly, be it for natural gas or LPG. This has been our target market and core business focus, in an effort to drive bottom line growth over the long term. We are pleased to highlight that industrial customers account for approximately 99% of the total gas volume sold and persisted to be the key driver for Gas Malaysia's sustainable growth.

Further to this, in respect to operational excellence, we are pleased to highlight that our gas supply reliability has never been compromised under any circumstances. We have successfully sustained our supply reliability rate of approximately 99%. Supply reliability has been the forefront in sustaining the quality of our business.

FEATURES	DESCRIPTION
Energy and Utilities Industry (Gas Malaysia)	**Key Strengths** • Large customer base • Increase gas volume consumption by customers • 27th years' experience in the industry • Strong talent pool **Risks and Challenges** • Market liberalisation • Competitive business environment • Possibility of losing market share
MMC's Key Features / Assets, Resources for this Industry	• 2,468 kilometres of gas pipeline in operation
Winning Factors of MMC that allow it to operate sustainably within this value chain	• Presence throughout Peninsular Malaysia • 99% Supply Reliability Rate • 2,468 kilometres of gas pipeline in operation • ISO 9001:2015 (Quality Management System) • ISO 14001:2015 (Environmental Management System) • ISO 45001:2018 (Occupational Health & Safety Management System) • ISO/IEC 27001: 2013 (Information Security Management System) • SAIDI (Average Minute of Interruption per Customer): 0.1780 (SAIDI is commonly used performance metric by utility companies worldwide to measure the duration of interruption per customer) • Response Time (Average Minute taken to Respond at Site) - The average response time, in the event of an emergencies, was 23.25 minutes. The response time depends on the distance from the incident site to the branch office

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - ENERGY AND UTILITIES



Aliran Ihsan Resources Berhad ("AIR Berhad") is a leading water industry operator with a proven track record for the abstraction and treatment of raw water, as well as treatment of wastewater and recycled water.

At present, AIR Berhad operates seven water treatment plants ("WTP") and produces 170.7 million litres per day ("MLD") of treated, potable water and recycled water. AIR Berhad also specialises in non-revenue water ("NRW") management.

Access to clean water is a basic human right and a basic component in a wide range of commercial and industrial applications. AIR Berhad's provision of reliable potable water supply in sufficient amounts, goes towards meeting the nation's need for this resource.

Further, as a NRW operator and recycling water specialist, AIR Berhad is directly contributing to reducing commercial water loss and encouraging sustainable consumption via recycling. This ultimately contributes to conservation of water resources.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - ENERGY AND UTILITIES

FEATURES	DESCRIPTION
Energy and Utilities Industry (AIR Berhad)	**Key Strengths** • Growing consumption demand in tandem with increased population, commercial and industrial activities • Stable business model based on long-term concessions that generate recurring income • Recent introduction of tariff setting mechanism augur well to the revenue of water operators • Water operators are not burdened by CAPEX as upgrading and construction of WTPs and pipelines are the responsibility of Pengurusan Aset Air Berhad ("PAAB") • Increased awareness and willingness among industries to use treated effluent/recycled water in their business processes. This provides additional business/revenue opportunities for water operators • Malaysia's NRW levels remain high. In tandem with growing private sector awareness and public sector commitment, there are increasing opportunities and the needs of NRW specialist in NRW based projects, such as asset management, pipe rehabilitation and replacement works as well as meter replacement programmes **Risks and Challenges** • Climate change, dwindling rainfall and other environmental developments continue to impact raw water resources such as rivers. This has led to a downward trend in the volume of river water available. Consequently, water operators will increasingly need to tap alternative water sources to meet growing demand such as groundwater, off river storage ("ORS"), etc. This may lead to increased costs, production complexities and environmental issues • River pollution caused by legal or illegal upstream activity affects water quality. High water turbidity and excessive ammonia content cause frequent unscheduled WTP shutdowns, leading to disruptions in water supply. Pollution also affects the overall water quality, leading to less water sources available and more costs incurred in treating and supplying water
MMC's Key Features / Assets, Resources for this Industry	• Proven water and wastewater treatment specialist with an impeccable track record for municipal water works and industrial wastewater and recycling solutions • Continues to meet regulator's industry benchmarks for water quality • Regularly recognised by industry regulator, Suruhanjaya Perkhidmatan Air Negara ("SPAN") for excellence in the operation and maintenance of WTPs • Provides comprehensive, turnkey solutions from design, construction, operations and maintenance. Able to provide financing options to propose and secure projects • Ability to source for projects within MMC's business divisions and operating companies i.e. Johor Port NRW project • Able to scale solutions based on the customised requirements of municipal authorities, industrial and commercial clients

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

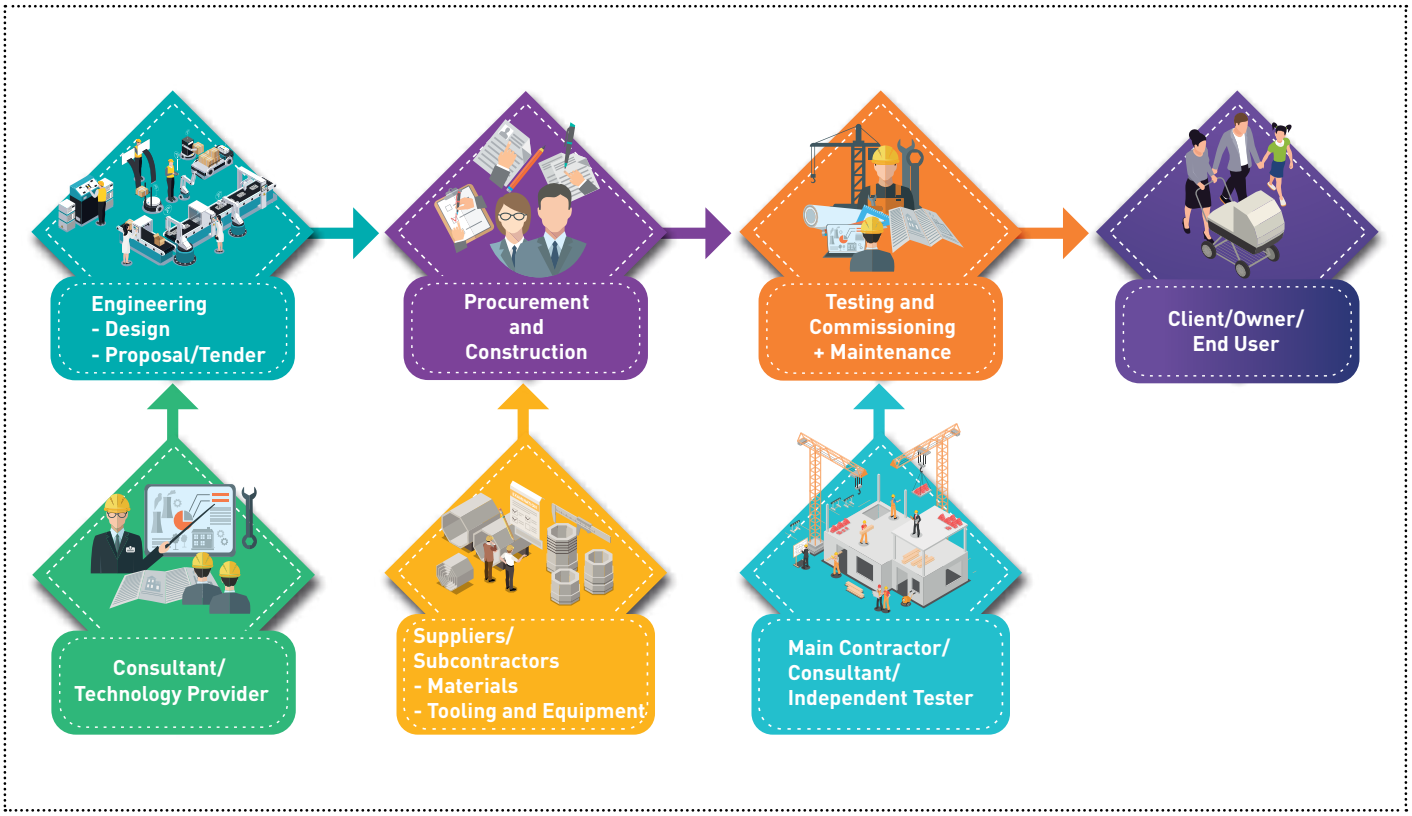
INDUSTRY VALUE CHAIN - ENGINEERING

Our Engineering Division continues to develop the nation's infrastructure. We are proud to be synonymous with many of the nation's game-changing and ground-breaking projects. The most recent being the Klang Valley Mass Rapid Transit Sungai Buloh-Serdang-Putrajaya line ("KVMRT SSP Line"). Our Engineering Division continues to provide solutions for many of today's urban challenges for the nation and through our value chain, a wide range of benefits to multiple stakeholders.

As the main contractor, we are able to bring on extensive range of technical expertise to successfully design, build and complete a wide range of technically demanding engineering projects. Working with strategic partners both local and from abroad, we are able to introduce new technologies and facilitate transfer of technology to the local industry.

Leveraging on our strong financial capabilities and assets, we are able to deliver on projects with time budget and on schedule. Through the hiring of sub-contractors, we create economic opportunities and provide jobs for Malaysian companies, spurring the growth of the local industry.

Our present order book stands at RM6.620 billion (December 2019). In the past three years, the KVMRT SSP Line and Langat Sewerage projects cumulatively awarded over 1,012 contracts worth RM9.928 billion.



MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
INDUSTRY VALUE CHAIN - ENGINEERING

FEATURES	DESCRIPTION
The Engineering and Infrastructure Industry	**Key Strengths** • Diverse expertise with the capacity and capability to undertake a wide range of infrastructure projects ranging from roads, bridges, tunnels, rail, wastewater plants, pipelines and more • The strategic ability to proactively develop and propose engineering solutions as opposed to just relying on tenders. Leveraging on inherent capabilities as well as external resources. The division can propose solutions to meet the Government or private players' infrastructure development goals or requirements • Able to leverage on Group synergy by providing engineering and construction services to companies within the Group to shore up the order book • Strong financial capability and balance sheet to undertake large scale projects such as the KVMRT and the Langat Sewerage project • Excellent track record built over many years for having successfully delivered on major infrastructure projects within budget with on time completion **Risks and Challenges** • The continued slowdown in large scale projects within Malaysia • The continued challenge in expanding business overseas due to global uncertainties • The challenge to the Government to provide fund and significant CAPEX to cater for large scale projects
MMC's Key Features / Assets, Resources for this Industry	Experienced in niche market including port and marine works, rail works, road and tunnel works, water treatment plant, centralised sewerage treatment plant and network system, gas pipeline and power co-generation plant
Winning Factors of MMC that allow it to operate sustainably within this value chain	• Specialised expertise in tunnelling, deep trenchless sewer, water supply, rail systems, ports and marine structures, power generation and gas pipeline • Strong support from technological partners, subcontractors and suppliers locally and internationally • Strong diversified synergy within the Group • Certified by renowned and professional bodies such as Construction Industry Development Board ("CIDB"), Suruhanjaya Perkhidmatan Air Negara ("SPAN"), Petroliam Nasional Berhad ("PETRONAS") and Ministry of Finance: ▶ CIDB - G7 ▶ Sijil Perolehan Kerja Kerajaan – G7 ▶ SPAN C1 – Water Supply and Sewage ▶ PETRONAS SC2 – Civil Structural and Building Maintenance Services ▶ ISO 9001:2015 – Quality Management System ▶ ISO 45001:2018 – Occupational Health and Safety Management System ▶ ISO 14001:2015 – Environment Management System

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

INDUSTRY VALUE CHAIN - INDUSTRIAL DEVELOPMENT

MMC's Industrial Property division is a master developer of approximately 5,000 acres of industrial land in Johor and Kedah. Our developments are located at Senai Airport City (2,718 acres), Tanjung Bin Petrochemical and Maritime Industrial Centre (2,255 acres) and Northern Technocity, Kulim, Kedah (354 acres).

In unlocking the value of our landbank, we continue to master plan our land parcels – defining land use, establishing key development components, desired infrastructure and building density, etc. Master planning is essential towards enhancing the commercial viability of our landbank and providing a more attractive proposition to potential industrial customers, especially during the present competitive and still sluggish operating environment.

As a master developer, we offer land that is ready for development with infrastructure i.e. power, water, telecommunication and natural gas supply. Land is available on a sale or leasehold basis. Land parcels are customised to accommodate customers' varying requirements.

Sales and marketing efforts enable us to reach out to a wide range of customers and we continue to leverage on synergy – tapping the network and reach of other MMC operating companies to provide more complete business solutions for customers. All infrastructure works such as earth works, and platform levelling is undertaken towards ensuring ready parcels for customers.

FEATURES	DESCRIPTION
The Industrial Property Industry	**Key Strengths** • Large developable land bank that contributes to sustainable earnings over the next 10 to 15 years • Possibility for collaboration or joint-venture with other reputable developers to market niche industries • Attracts domestic and foreign direct investments towards stimulating the local economy, creating jobs and driving prosperity • Receives strategic support and continuous close engagement with state and federal Government agencies in identifying new investment **Risks and Challenges** • High development cost requires substantial upfront CAPEX • Affected by external factors such as global and macroeconomic factors, Government policies, etc. • Competition from local and regional players • Soft property market including industrial segment for small and large MNCs
MMC's Key Features / Assets, Resources for this Industry	A total of over 5,000 acres of industrial developments in Johor and Kedah • 2,718 acres in Senai Airport City, Senai, Johor • 2,255 acres in Tanjung Bin Petrochemical and Maritime Industrial Centre, Tanjung Bin, Johor • 354 acres in Northern Technocity, Kulim Hi-Tech Park, Kulim, Kedah
Winning Factors of MMC that allow it to operate sustainably within this value chain	Strategically located industrial development approximately 5,000 acres in Johor and Kedah, excellent accessibility and connectivity to air and maritime ports via a network of highways, business ready land plots with infrastructure and utilities which serve as a catalyst for modern and managed industrial development

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT - GROUP

VISION & MISSION	BUSINESS STRENGTHS	BUSINESS STRATEGIES & DESCRIPTION
Vision: To Be A Premier Utilities And Infrastructure Group **Mission:** Excellence In Our Core Business Segments	**Footprint In Multiple Businesses** **Strategic and Operational Synergy** **Robust Business Model** **Strong Asset and Financial Base** **Strong Recurring Income** **Proven Expertise and Track Record** **Highly Experienced and Professional with 15,221-Strong Workforce** **Good Marketplace Practices and Corporate Governance**	**Harnessing Greater Strategic and Operational Synergy Across the Group** Given the Group's diverse business footprint across a wide range of industries, there is opportunity for MMC companies to seek business opportunities or to tap insights and expertise within the Group **Pursuing Cost Efficiency and Enhanced Productivity** With costs increasingly becoming a factor across our business operations, we continue to enhance our commercial proposition to customers, in ensuring we remain cost competitive, notably in bidding for projects as well as undertake cost optimisation through operational synergies **Exploring Business Expansion** We continue to seek opportunities for both organic and inorganic growth across our value chains towards improving scale and efficiency and strengthening our business model **Enhancing Technological Capabilities** We continue to tap technology towards delivering greater operational efficiency and productivity **Proactively Responding to Market Challenges and Conditions** We continue to develop and propose solutions to present-day infrastructure requirements to the Government or private sector, which afford greater cost savings and benefit **Talent Pipeline and Leadership Bench Development** Continuous development of our professional talents is essential towards ensuring our employees are well trained, motivated and competent to deliver the best possible contributions to the Group **Cultivating Key Stakeholder Relationships** Maintaining close and constant engagement with stakeholders is key to better understand their expectations and concerns of MMC Two-way engagement with the Group's Stakeholders to share its aspirations and strategies

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

MATERIALITY	POTENTIAL RISKS, ISSUES & CHALLENGES	STRATEGIC PRIORITIES	IMPACTS ON CAPITALS
Economic and Business Performance Quality and Satisfaction Nation Building Human and Social Capital Preventing Discrimination Stakeholder Engagement Engaging Communities Sustainable Procurement Health and Safety	Viability of new and current investments Risks relating to or arising from market uncertainties or poor management that may result in impairment in values or lower than anticipated returns on investments Talent management and succession planning Risks arising from lack of proper and effective employee talent management, training needs analysis, succession planning as well as provision for training and development Natural disasters Security breach and act of terrorism Accidents leading to fatality and major environmental impact Adapting to new Government policies and regulations	Beyond financial capital, we will continue to extend supportive resources such as professional talents to drive Merger and Acquisition activities i.e. conduct due diligence activities, feasibility studies and more With the necessary mitigation actions taken, we believe an expansionary business approach is necessary and positive for the Group Across the organisation, we have established dedicated teams to manage a wide range of official and informal engagements with stakeholders. These include dialogues and other activities with regulatory bodies, pressure groups, NGOs, the media, investors and local communities Thus far, stakeholders have expressed positivity to our efforts and we foresee continued forging of good relations with the stakeholders	We foresee an increase in our asset base, with increased capital expenditure and financial capital position Training and development as well as succession planning requires financial investment, but the long-term benefits from motivated, highly productive employees and capable future leaders ensures a strong financial and non-financial return in the medium and long term horizons While stakeholder engagement may require financial and time capitals, the investment is worth the returns. Stakeholder engagement will enhance our relationship capital, allowing us to strengthen perceptions and goodwill to our brand. This can be leveraged as a business asset going forward in many ways Our natural capitals performance can also be improved as we work closer with stakeholders to be custodians of natural resources

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT – MMC PORTS

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED
The Group's five ports are strategically located across Peninsular Malaysia and can leverage on the strengths and specialised skillsets of each other This synergy within the MMC Ports network enables each port to better meet the demands of shipping liners, especially those who require multiple port calls Availability to offer liners attractive propositions such as berth on arrival, competitive Terminal Service Agreements, priority berthing, enhanced connectivity, etc. All ports operate under a long-term concessions, which ensures revenue visibility going forward Our ports benefit from ample land availability, which cater effectively to global and large brands looking to establish Regional Distribution Centre ("RDC") and warehouses MMC Ports benefits from the growing volume of indigenous local cargo from the hinterland, derived from various industries i.e. automotive, energy, trading, services and manufacturing, etc. All ports have access to excellent hinterland rail and highway infrastructure that enables fast and seamless transportation of cargo	MMC Ports continues to focus on the following to enhance the value proposition of its ports: • Improving berth efficiency to deliver faster vessel turnaround time • Continuous improvement in terminal productivity via asset optimisation and enhancement of workforce capability • Standardising equipment used across all ports to derive cost efficiencies and economies of scale • Continue attracting global brands to establish RDCs at our ports • Undertaking continuous infrastructure upgrades i.e. channel deepening, additional wharves, etc. • Undertaking Get Revenue In, Take Costs Out Initiatives	Among its many highlights and achievements for FY2019, MMC Ports registered the following key successes: • Registered increased container throughput of 14.3 million TEUs (FY2018: 14.2 million TEUs) • Total conventional throughput volume at 37.8 million FWT (FY2018: 38.8 million FWT) • Secured new Free Zone customers with strong international presence for our ports, namely PTP. These included Decathlon, Unilever, Hasbro, Teleflex, Molnycke and Antalis • Commencement of business by new shippers i.e. Zhejiang XSD Holding Group, Jinjing Technology Malaysia Sdn Bhd, Green River Panels, Tiong Huat Rubber Sdn Bhd, Euroma Rubber Sdn Bhd, API Precast Marketing etc. • Secured a bulk purchase agreement with PETRONAS to reduce fuel costs

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
MMC Ports continues to proactively address the following risks and challenges: • Ongoing global factors which impact global maritime trade i.e. trade wars, commodity prices, virus pandemics, etc. • Continued realignment of liners and shipping alliances • Increasing challenges to acquire and retain customers due to intensified competition from other ports within the region and in Malaysia • Potential changes in Government policies and new maritime/shipping guidelines and rules • Delay in project completion and cost overruns • Possibility of security threats, especially cyber-attacks • Managing ESG impacts (reducing energy consumption, carbon emissions, etc.) • Occurrence of HSE incidents that result in fatalities, damages and/or major environmental impacts, which disrupt port operations	MMC Ports foresees the following opportunities: • Increasing domestic and international cargo volume including transhipment volume from growing trade volume • Impacts from global developments i.e. trade wars, Brexit, etc. • Emerging potentials from the rise and expansion of the global Halal Silk Route • Expected robust medium to long-term growth potential for the cruise industry, especially in Asia	MMC Ports has outlined the following strategic priorities going forward: • Development of stronger relationships with shipping alliances and customers to driving business growth and ensuring continued container and throughput volume growth • Continued ongoing negotiations with main-line operators to shift to, or expand services at our ports. The same is also being done with global brands to establish facilities at our ports including RDCs • Continued undertaking of capacity building projects i.e. berth rehabilitation, channel dredging, wharf upgrading, etc. This is to ensure our ports are best positioned to meet the increasing needs of shipping liners and customers • Continued stakeholder engagement with Port Authorities, Government agencies, international maritime bodies, shipping alliances, freight forwarders, etc. Engagement is vital in ensuring regulatory compliance and to drive port expansion plans going forward • Our plans for expansion and business growth will remain aligned to key sustainability matters such as health and safety and MMC Ports will continue to manage its social and environmental footprint

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT – INDIVIDUAL PORTS

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES
PTP PTP is Malaysia's largest and most advanced transhipment hub port. It is ranked 18th in the 2018 World Top Container Ports. The port can accommodate vessels of all sizes including Ultra Large Container Vessels PTP benefits from strong partnerships with the 2M alliance i.e. Maersk and Mediterranean Shipping Company ("MSC"). It houses the RDCs of 40 global brand names and local businesses	**Refer to MD & A (Operations Review) section**
Johor Port Johor Port is recognised as the World's Largest Palm Oil/Edible Oil terminal. It offers 660 acres of Free Zone Area and port terminals with 24 berths occupying more than 300 acres. Total port capacity presently stands at 40 million tonnes The port's cargo volumes are supported by rapidly increasing hinterland cargo as well as transhipment cargo; given Johor Port's strategic position, which enables it to operate as an Intra-Asia port, particularly for cargoes from East Malaysia As a testament to the port's quality standards, Johor Port is the first Malaysian port to be ISO 27001 (ISMS) and ISO 55001 (AMS) certified	**Refer to MD & A (Operations Review) section**
Northport With its excellent port infrastructure and logistics capabilities, Northport continues to stand tall as the preferred maritime hub for Intra-Asia Trade. It is the homeport for export, import and transhipment of all Proton vehicles and continues to benefit from strong Break Bulk and RoRo cargo volumes Northport is the first Malaysian port to be ISO45001:2018 certified, an ISO standard for management system of Occupational Safety and Health	**Refer to MD & A (Operations Review) section**
Penang Port Penang Port is the main gateway for shippers in the Northern States of Malaysia and Southern Thailand. The Port is also a highly popular destination for cruise ships from across Asia and the world. Hence, Penang Port, by receiving cruise liners, plays a vital role in driving the development of the local Penang tourism industry	**Refer to MD & A (Operations Review) section**
Tanjung Bruas Tanjung Bruas Port caters to small to mid-sized, ocean-going vessels, not exceeding 170 metres in length and up to 20,000 Deadweight Tonnage capacity. Essentially, Tanjung Bruas caters to the hinterland of Melaka and Johor states while also operating as a feeder port for Northport and Johor Port.	**Refer to MD & A (Operations Review) section**

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED	STRATEGIC PRIORITIES
PTP: In FY2019, PTP saw its overall container throughput volume reach 9.1 million TEUs (FY2018: 9.0 million TEUs) with a 15% increase in Free Zone volume. Total cumulative foreign direct investment ("FDI") and domestic direct investment ("DDI") achieved during the financial year stood at RM2.9 billion The port achieved the distinction of being the first port in Southeast Asia port to welcome the world's largest container vessel, *MSC Gulsun*, which left PTP with a world record-breaking load of 19,574 TEUs. In terms of PMPH records, PTP set the highest all-time PMPH for the AE7 service at 235.70 *(Mathilde Maersk)*, the A10E service at 253 *(MSC Dittle)* and 206.6 for the Evergreen Line *(Evergreen Ever Goods)* On a separate note, PTP successfully rolled-out its NAVIS N4 implementation, which provided PTP's operations with a new terminal operating system that facilitates improved performance and scalability to meet future expected volume growth	**PTP:** PTP will continue to improve its operational efficiencies and to reduce cost across its business operations and value chain. Customer service excellence will continue to be prioritised, which is a key facet of the port's customer acquisition and retention efforts On the back of the successful NAVIS N4 implementation, further efforts will be placed to drive adoption of digitalisation and innovation towards enhancing PTP's operational capabilities and value proposition to clients
Johor Port: In FY2019, Johor Port achieved 1.04 million TEUs (FY2018: 0.9 million TEUs) of container cargo and 18.2 million FWT (FY2018: 19.1 million FWT) of conventional cargo. 8 new customers were included in the port's Free Zone area Another highlight was Johor Port being recognised as an approved delivery point for the following exchanges: London Metal Exchange ("LME"), Chicago Mercantile Exchange ("CME") and Asia Pasific Exchange ("APEX")	**Johor Port:** Amidst increasing competition, Johor Port will continue to execute its 5-Year Redevelopment Plan to consolidate its position as the world's largest palm oil terminal. At the same time, efforts are being made to position Johor Port as a cocoa trading hub Negotiation is underway with other global exchanges to establish Johor Port as an approved delivery point for soft commodities. Identified exchanges are as follows: Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange and Intercontinental Commodity Exchange A key priority is to expedite completion of the container terminal expansion project towards expanding operational capacity On a separate note, Johor Port will pursue business diversification into marine services, offshore inspection, maintenance and repair ("OIMR") and liquefied natural gas ("LNG") bunker services
Northport: In FY2019, Northport posted 2.7 million TEUs (FY2018: 2.8 million TEUs) and a five-year high of 9.2 million FWT (FY2018: 8.6 million FWT) in conventional throughput. Northport also notched its maiden liquefied petroleum gas ("LPG") of 500 FWT in FY2019 The port has established its biomass logistics hub to cater to related cargoes and in expanding transhipment cargo volumes from East Malaysia, has inked a strategic collaboration with POIC Sabah Sdn Bhd In 2019, the port has successfully deployed an integrated CCTV and 24/7 drone surveillance system, with real-time monitoring, becoming the first port in Malaysia to do so	**Northport:** Post Approved Permit exemption, which was granted in FY2019 and given Northport's inherent strengths as an automotive transhipment port, a key focus would be to target more automotive manufacturers Consistent with growing prominence as an Intra-Asia hub, efforts will be increased to tap growing transhipment cargo and leverage on emerging Halal Silk Route opportunities Business expansion plans will be supported by continued efforts to rationalise costs under the Get Revenue In and Take Costs Out programme. Towards this end, technology will progressively be incorporated to enhance port operations and deliver enhanced customer service and improved customer satisfaction
Penang Port: In FY2019, Penang Port ported 1.5 million TEUs of container cargo (FY2018: 1.5 million TEUs) and 9.3 million FWT (FY2018: 10.4 million FWT) of conventional cargo. The port saw 1.1 million passengers Expansion works on its Swettenham Pier Cruise Terminal and North Butterworth Container Terminal continued to progress on schedule Penang Port successfully issued a RM1 billion sukuk with a rating of AA-IS/stable in FY2019	**Penang Port:** Going forward, Penang Port will continue to work towards speedy completion of works at the Swettenham Pier Cruise Terminal and North Butterworth Container Terminal as well as the Prai Wharves Emphasis will be placed on increasing cargo volumes from Southern Thailand
Tanjung Bruas Port: In its first year of containerised cargo operations, Tanjung Bruas Port registered 11,700 TEUs in FY2019 while posting 1.0 million FWT (FY2018: 0.71 million FWT) of conventional cargo	**Tanjung Bruas:** The key priority for Tanjung Bruas Port would be to grow both containerised and conventional cargoes. This will be achieved via both capacity expansion works and business development activities Imperative, going forward, is the construction completion of wider and deeper jetties, to accommodate larger Post Panamax vessels and the construction of a RoRo jetty and customs, immigration and quarantine facility Business development activities will centre on optimising land located within proximity to Tanjung Bruas Port for cargo storage and warehousing activities Tanjung Bruas Post will also leverage on transhipment services with other MMC Ports to generate higher cargo volumes

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT – KONTENA NASIONAL

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED
Haulage With a 40-year track record, a reputable brand name and a well-established operational footprint across Peninsular Malaysia, Kontena Nasional is one of the country's top logistics specialists Beyond conventional logistics services, Kontena Nasional's differentiating factors includes its ability to undertake logistics services for niche or specialised cargo. This includes oil and gas and high security cargoes as well as waste products, given the company's status as a DOE-approved Scheduled Waste transporter Kontena Nasional's quality is reflected through its ISO 9001:2015 QMS System and OHSAS 18001:2007 Occupational Health and Safety certifications Leveraging on strategic synergy, Kontena Nasional has increasingly looked to bundle its services with MMC Ports to provide a one-stop logistics solution for customers	**Haulage** • The company has looked to optimise its fleet and land assets while tapping on its talent and network resources to enhance service delivery operational productivity • Cost optimisation has been actively pursued with key aspects of this effort being resource rationalisation and monitoring of vehicle running expenses • Also pursued was diversification into niche market/specialised cargoes i.e. scheduled waste, oil and gas, etc.	**Haulage** FY2019 saw haulage operations register increased reliability and efficiency, which included reduced downtime and faster turnaround time Fleet availability was also improved and on the back of these and other accomplishments, a positive EBITDA and increase gross profit performance was recorded
Warehouse and Yard In terms of assets and facilities, Kontena Nasional operates seven distribution centres encompassing over 500,000 sqft and 4 million sqft in total covered and open storage space respectively It also possesses an inland clearance depot (bonded) with rail connectivity	**Warehouse and Yard** • FY2019 saw warehouse and yard operations progressively evolve into a total supply chain 3PL player, towards providing value added services for customers • In addition, there was an increased focus on niche segments i.e. handling of dangerous goods and scheduled waste	**Warehouse and Yard** Warehouse and yard operations achieved 70% occupancy rates while the customer base expanded further on the back of higher handling and value-added activities
Freight Forwarding Kontena Nasional is an industry pioneer in freight forwarding and one of few Government-appointed multimodal transport operators. It has a proven track record for handing specialised cargo i.e. oil and gas, etc. Freight forwarding operations are supported by a wide range of strategic partners that enables the provision of full services to customers. Kontena Nasional also draws strategic advantage from its wide global representation and coverage.	**Freight Forwarding** • With regard to freight forwarding operations, 2019 saw a move towards operating an in-house freight forwarder for multinational companies ("MNCs") • The company also enhanced its cargo tracking systems and continued to diversify into specialised and niche markets i.e. high security and sensitive cargo	**Freight Forwarding** • Kontena Nasional has secured extension of contracts from Kementerian Kesihatan Malaysia, Subsea 7 Malaysia Sdn Bhd, Telekom Malaysia Berhad, Repsol Oil & Gas Malaysia Limited, Petco Trading Labuan Co Ltd and Sapura Fabrication Sdn Bhd for another one (1) to three (3) years' duration period.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

SORT ANALYSIS

POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES & STRATEGIC PRIORITIES
Identified risks and challenges across all business segments include changes in Government procurement policies, continued market liberalisation and new market entrants or environmental factors that disrupt deliveries	Despite mounting challenges, Kontena Nasional foresees encouraging opportunities which include a growing outsourcing trend in Malaysia and ASEAN, continued growth of the halal hub as well as in the automotive industry These augur well for the logistics demand going forward, creating demand for intranational and international services Going forward, Kontena Nasional's strategic priorities/focus areas include retaining the hard-won business efficiencies and to pursue further business rationalisation to yield cost reduction and improved operational productivity The company plans to further leverage on business opportunities arising from specialised oil and gas cargo, scheduled waste and leveraging on strategic synergy with MMC ports going forward

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT - SENAI INTERNATIONAL AIRPORT

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED
AERO • The aviation gateway for Johor state and one of the principle entry points to Malaysia • Strategically located in the fast-growing Iskandar Malaysia economic zone • Linked to 12 domestic and six international destinations • Growing passenger and cargo segments • The emerging MRO hub with the availability of Senai Airport Aviation Park land : 42.2 acres dedicated area for aviation-related activities i.e. Maintenance, Repair and Overhaul (MRO), Fixed-Base Operator (FBO) and general aviation • 3.8 kilometres runway long enough for wide body commercial and cargo aircrafts • Backed by a robust ecosystem comprising of aviation authorities, airlines, manufacturers, Government agencies, retailers, tenants	**AERO** • Grow airport connectivity to all the major cities in Malaysia and new key destinations within South East Asia and China/Korea • Strategic collaborations with various eco-system players i.e. IRDA, Tourism Johor, Tourism Malaysia, and other key tourism players i.e. hoteliers, resort operators, theme park operators, private hospitals and land transport providers in promoting Johor as a preferred destination • Participation in regional level aviation events to promote Senai International Airport in particular and Johor state in general to regional airlines • Collaboration with airlines and tourism key players in hosting a familiarisation trip for China travel agents and Southeast Asia social media influencers in promoting Johor as a tourist destination • Promoting Senai International Airport as a competitive alternative option for air cargo shipment to regional destinations	**AERO — PASSENGER** • 21% passenger growth in 2019 – the highest increase amongst all airports in Malaysia • 13% five-year CAGR – fastest growing airport in Malaysia • Introduction of new route to Guangzhou by Malindo and Kota Bahru by Firefly • Growing frequency to existing routes such as to Bangkok, Kuala Lumpur, Penang and Kota Kinabalu **AERO – CARGO** • 62% increase in O&G cargo volume • 52% rise in total cargo volume **AERO — AIRPORT MANAGEMENT** Strategic three-year contract inked with Petronas subsidiary, Sanzbury Stead Sdn Bhd to manage the operations and maintenance services of Kertih Airport, effective 1 January 2019
Non-Aero: • Home to 76 local and international retail brands • 41,859 sqft lettable retail and commercial space	**Non-Aero** • Ramping up efforts to attract a wider range of local and international retail brands as per passenger preferences • Implementation of Point-of-Sale ("POS") system to ensure accurate sales monitoring at retailers • Imposition of revenue sharing percentage on retailers • Self-managing a portion of airport advertising media for more effective revenue generation	**Non-Aero** • 92% retail/commercial space occupancy • 5% increase in non-aero revenue in 2019 • Successful brand acquisition of Rotiboy, Kuu Kopitiam, AGift, and LuLaLa Local Food Sweet House in 2019

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Regional or global crises which may impact air travel • Competition from other regional airports • Continued growth in passenger movements requires immediate infrastructure upgrade to cater for growing volume	**AERO** • Continued economic growth of the Iskandar Malaysia Region • Emergence of Johor as a tourist destination including healthcare travel • Continued growing affinity of Johor with East Asian tourists • The increasing awareness of airlines to explore Senai International Airport as an alternative or complementary airport in the region	• Immediate expansion of the existing terminal building to increase the passenger handling capacity • Expand connectivity and flight frequencies for existing routes • Promote Senai International Airport as an alternative cargo hub and emerging MRO destination in the region • Continued engagement with Federal and State Government, tourism agencies, airline operators and other value chain partners • Efficiently manage Kertih Airport operations with the view of securing similar contracts, locally and abroad • Continued investments in talent development
Non-Aero • Maintaining retail occupancy and sustainability	**Non-Aero** • Growing passenger movements resulting in higher retail footfalls and sales • Leveraging on the manufacturing community surrounding the airport to increase footfalls	**Non-Aero** • Beyond selling retail space, to continue leveraging on Senai International Airport, strategic location and growing brand name as a location for events such as product launches, promotion bazaar and more

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT – ENERGY AND UTILITIES DIVISION

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED
Malakoff Corporation Berhad • Largest Independent Power Producer ("IPP") in Malaysia in terms of effective generation capacity, producing 5,910 MW or 23% of Peninsular Malaysia Installed Capacity • Operates six conventional power plants • Business model provides a steady recurring income base based on fixed tariffs as stipulated in power purchase agreements ("PPA") with Tenaga Nasional Berhad • Growing presence in the renewable energy ("RE") sector • 1,000-strong workforce	• Continued pursuit of conventional power plant and water projects in Malaysia and high growth areas such as ASEAN countries and the Middle East • Accelerated efforts in exploring RE i.e. solar, biogas, small hydro, etc. as well as waste management and environmental services, the latter via Alam Flora Sdn Bhd ("Alam Flora") • Expansion of operations and maintenance ("O&M") business • Active engagement with local and international stakeholders to address their concerns while leveraging on potential opportunities • Continued pursuit of operational excellence in ensuring plants meet contractual obligations i.e. meeting equivalent availability factor as stipulated in the PPA • Strengthening balance sheet via continuous cost monitoring and maintaining an optimal capital structure • Pursuing value-accretive, green field projects and acquisitions towards delivering improved, long-term shareholder returns • Review of company portfolio towards unlocking value • Developing strategic alliances with reputable partners towards facilitating knowledge transfer, improving operational capabilities and business expansion	• Malakoff completed the acquisition of a 97.37% stake in Alam Flora from DRB-HICOM Berhad for RM869 million. The acquisition of Alam Flora will be a springboard for Malakoff to expand its role in the waste management and environmental-related business whilst offering synergistic opportunities between Malakoff and Alam Flora to develop Waste-to-Energy ("WTE") projects, leveraging on their respective core competencies and experience • Malakoff acquired the entire equity interest in Desaru Investments (Cayman Isl.) Limited ("DIL") from Khazanah Nasional Berhad that increased and consolidated Malakoff's total effective generation capacity for power and water in the Kingdom of Saudi Arabia to 216 MW and 246,900 m^3/day respectively, from the previous 108 MW and 123,450 m^3/day respectively, in line with the Company's growth strategy • Malakoff via its indirect subsidiaries, Batu Bor Hidro Sdn Bhd and Lubuk Paku Hidro Sdn Bhd, participated in the e-bidding exercise organised by Sustainable Energy Development Authority Malaysia ("SEDA") for two small hydro projects namely Batu Bor project (30MW) and Lubuk Paku project (25MW), both at Sg. Pahang. SEDA on 23 December 2019 had announced that both SPVs were selected as the successful bidders • Malakoff via its indirect subsidiary, Green Biogas Sdn Bhd ("GBSB") participated in a competitive Feed-in Tariff ("FiT") e-bidding exercise launched by SEDA in October 2018, for a 2.4MW biogas project in Sungai Kachur, Kota Tinggi, Johor. On 29 January 2019, SEDA announced GBSB as one of the successful bidders • Malakoff and Japan Electric Power Development Co. Ltd. ("J-POWER") signed a MoU for a strategic collaboration to develop potential greenfield and brownfield power generation and/or water projects globally including Malaysia • Wholly owned subsidiary, Teknik Janakuasa Sdn Bhd ("TJSB"), signed a MoU with the Centre for Power Electrical Engineering Studies ("CEPES") of Universiti Teknologi MARA ("UiTM") for future collaborations on research and innovation, industrial training and other relevant academic activities

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW

SORT ANALYSIS

POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Increasing focus on RE within the energy mix • Growing competition amidst the shift in the country's energy generation profile • Continued decrease in cost of generating per kilowatt-hour from solar energy	• Continued increase in national electricity demand of 1.8% from 2020-2030 • Large Scale Solar 4 ("LSS4") will provide opportunities for Malakoff to expand its RE portfolio	• Development of technical and management skills of our employees to remain at the forefront of the industry • Establishing a high-performance culture for an innovative mindset • Venturing further to grow our RE business footprint via strategic partnerships • Expansion/diversification into Waste Management and Environmental Services via Alam Flora

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT – ENERGY AND UTILITIES DIVISION (Continued)

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED
Gas Malaysia Berhad • 2,468 kilometres of gas pipeline in operation • Presence throughout Peninsular Malaysia (3 Regional Offices and 9 Branch Offices) • Operational excellence : 99% Supply Reliability Rate • SAIDI (System Average Interruption Duration Index) : 0.1780 Average Minute of Interruption per Customer • Total customer of 36,170 • Industrial customers: 933 • Commercial customers: 2,328 • Residential customers: 32,909 • Industrial customers account for approximately 99% of the total gas volume sold and persisted to be the key driver for Gas Malaysia's sustainable growth	• Over the past 27 years, Gas Malaysia has been promoting natural gas as a clean energy to potential customers with an aim to meet their energy requirements • We procure, market and distribute reticulated natural gas and Liquefied Petroleum Gas ("LPG"); as well as develop, operate and maintain the NGDS network for the non-power sector in Peninsular Malaysia • We proactively cater to gas demand from industrial, commercial and residential sectors accordingly, be it for natural gas or LPG. This has been our target market and core business focus, in an effort to drive bottom line growth over the long term • We embark on the transition into a more liberalised market, Gas Malaysia explored other avenues to solidify its position in the industry. We have broadened our business portfolio by diversifying into the non-regulated sphere of the gas distribution business. • Via our subsidiary and joint-venture entities, Gas Malaysia has channelled its business focus on ventures such as Combined Heat and Power ("CHP") system, Virtual Pipeline and Bio-Compressed Natural Gas ("BioCNG"). These non-regulated business ventures are aimed at further capitalising new demand for natural gas and meet customers' energy requirements, simultaneously expanding our customer base • We will restructure its business portfolio to be more resilient amidst a more competitive business environment. • We will address challenges head-on and will continue to tap into strategic business opportunities to further improve our position within the industry, ensuring sustainable growth for Gas Malaysia	• Expansion of NGDS by 134 kilometres in 2019 • 84% project completion with respect to the construction of the gas distribution pipeline network in Kinta Valley, Perak • Gas volume sold increased to 201.19 million MMBtu (FY2018:193.85 million MMBtu). • Attained the following certifications: - ISO 9001:2015 (Quality Management System) - ISO 14001:2015 (Environmental Management System) - ISO 45001:2018 (Occupational Health & Safety Management System) - ISO/IEC 27001:2013 (Information Security Management System) • The Edge Billion Ringgit Club Corporate Awards 2019: Highest Return on Equity Over Three Years • The Edge Billion Ringgit Club Corporate Awards 2019: Highest Growth in Profit After Tax Over Three Years

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Market liberalisation with the implementation of Third Party Access ("TPA") system • High possibility of business competition	• Mirroring global aspirations, natural gas is playing a pivotal role in driving the sustainable socio-economic development of the country • With the unique characteristics of natural gas combined with its promising prospects, we foresee potential growth trajectory for natural gas demand in Peninsular Malaysia • In line with our supply driven model, we remain resolute in expanding the NGDS network to more areas within Peninsular Malaysia with growth opportunity	• Solidify our position in the industry and broadening our business portfolio by diversifying into the non-regulated sphere of the gas distribution business • Talent pool training and development • Leveraging on strategic partnership with Tokyo Gas • Continued expansion of the NGDS network • Service expansion to more customers, with a focus on industrial customers

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT - ALIRAN IHSAN RESOURCES BERHAD

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED	POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Operates two water treatment plants ("WTP") in Perak and five wastewater treatment plant ("WWTP") in Negeri Sembilan, Selangor and Johor • Specialist water operator with niche skills in water and wastewater treatment as well as NRW management • Proven expertise and highly experienced in meeting specific requirements from municipal water authorities, industrial and commercial clients	• Secured RM45 million in total contract value. Please refer to the MD & A for specific project details • Retained Operation and Maintenance ("O&M") contract for its two WTPs in Perak for nine consecutive years • Awarded Grade 'AA' status by SPAN for exemplary O&M performance • Consistently met all SPAN KPIs for treated, potable water • Maiden NRW venture in Johor Port • Achieved first Shahriah-compliant water recycling plant for a poultry abattoir in Selangor	• Acts of terrorism or disruption to operations at WTPs which could lead to inability to meet water demand • Security breach or damage to WTPs, including vandalism, theft, etc. • Managing water scarcity issues amidst growing residential, commercial and industrial demand • Non-renewal of concessions • Change in Government regulations • Challenging incoming wastewater quality requires R&D and advance treatment technology • Increasingly poor river water quality leads to increased treatment costs • Inability to find alternative water sources to mitigate against diminishing river water supply • Lack of skilled and specialised water industry talent • Cost conscious market that often leads to price wars among industry players to secure contracts	• Opportunities to expand WTP operations to others states in Malaysia • Opportunities to promote green initiatives via water recycling which will conserve the freshwater intake, and minimise waste discharge that creates pollution towards the environment • Opportunities to promote awareness on water conservation and NRW among the public • Rehabilitation and pipe replacement works to minimise NRW, covering active leakage detection and mapping. Enable effective water asset protection and operationally cost enhance	• Secure additional operation and maintenance contracts in the municipality industry • Develop strategic partnerships with OEM product manufacturers • Secure additional short-and long-term industrial water, wastewater and water recycling contracts within the private sector • Continue dialogue and engagement with regulatory bodies towards promoting water sustainability and national water security • Pursue further operational efficiencies to reduce costs • Further expansion of NRW operations • Leverage on opportunities within the Group for recycled water and NRW potentials • Develop customisable turnkey solutions for clients, including provision of financing to enable water infrastructure projects to be implemented • Participation in industry trade shows to promote brand awareness and to share our industry success stories

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT - ENGINEERING DIVISION

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED	POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Diverse engineering expertise and experience with proven technical capabilities to successfully design, build and operate a wide range of projects i.e. rail, wastewater, bridges, highways, pipelines and others • Financially stable to undertake large, CAPEX intensive projects • Beyond operating as an EPC solutions provider, the Division is able to operate and manage assets via a Build, Operate and Transfer model or other business models • Ability to tap on Group synergy to source for infrastructure development projects from other operating companies • Strong project and cost management capabilities • Strong technological capabilities with ability to attract local and international technology partners • Proven track record as a leader in engineering and infrastructure development, both locally and abroad • Able to satisfy client's requirements in key infrastructures projects Mass Rapid projects i.e PETRONAS, Mass Rapid Transit Corporation, Ministry of Energy and Natural Resources, Jabatan Perkhidmatan Pembetungan, Keretapi Tanah Melayu Berhad etc.	• Increased participation in open tenders for selective projects in niche industries • Implemented changes to management structure to drive further alignment to the Group's strategic plan • Continued to provide engineering solutions support to other business divisions within the Group i.e. Ports and Logistics, Energy and Utilities, Industrial Development and others • Restructuring of tender bids to ensure cost competitiveness • Identified and participated in international tenders for major projects in the South East Asia region	• Secured MMC's first gas pipeline project in 10 years amounting RM131.4 million • Strong progress achieved on projects in hand • Order book size of RM6,620.6 million as at December 2019	• Depletion of order book • Lack of mega infrastructure projects in Malaysia • Limited Government procurement via open tender • Competitive pricing by foreign competitors • Lack of proven subcontractors • Potential project delays leading to deferred project completion and costs overruns • Rising costs of raw materials and labour	• Offer alternative engineering solutions for a more competitive cost	• Order book replenishment • Enhancing competitiveness of tender bids • Enhancing technological capabilities via strategic partnerships

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
SORT ANALYSIS

STRATEGIC SNAPSHOT - INDUSTRIAL DEVELOPMENT DIVISION

FEATURES, ASSETS & RESOURCES, BUSINESS STRENGTHS	BUSINESS STRATEGIES	OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS, VALUES CREATED	POTENTIAL RISKS, ISSUES & CHALLENGES	OPPORTUNITIES	STRATEGIC PRIORITIES
• Strategically located, developable land bank (approximately 5,000 acres) in key locations in Johor and Kedah • Availability of Free Industrial Zone and Free Commercial Zone land via Senai Airport City • Business ready land plots with infrastructure and utilities • Excellent accessibility and connectivity to air and maritime ports via a network of highways • Benefits from the mature and fast growing surrounding industrial ecosystem	• Convincing companies to migrate from older industrial parks • Targeting supply chains and OEM Suppliers of anchor MNC players • To develop collaboration for joint-venture development with strategic partners to market niche industries • Completion of site infrastructure works • Expansion of sales and marketing team and enhancing team competency via intensive training programmes • Continued close engagement with state and federal Government agencies in identifying new investment and an expansion opportunities from existing investors • Engage with business chambers and other business associations	**Senai Airport City:** • Secured sales of 19.26 acres of land to three companies **Tanjung Bin Petrochemical and Maritime Industrial Centre:** • Construction of Sungai Pulai Bridge is progressing as planned for scheduled completion in October 2021 **Northern Technocity:** • Masterplan approved by local council	• High development cost requiring substantial upfront CAPEX • Competition from local and foreign industrial developers • Stiff competition from other countries who are also enticing MNCs looking to establish regional operational hubs • Continued soft property market, exacerbated by a wide range of macro, socio-economic beyond the Division's control i.e. Government policies, economic growth, lack of stimulus to the property sector, etc.	• Future strategic collaborations with other developers to pool resources for more effective customer acquisition strategies • Market spillover from neighbouring countries/state • Opportunities for FDI and DDI companies looking for premium and managed industrial park for manufacturing facilities and warehouses	• Attracting more DDI and FDI investment • Development of the most saleable and prime areas while controlling costs • To ensure infrastructure and facilities on site are ready to attract investors • Further develop sales and marketing team while working closely with state and federal level investment agencies

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
VALUE CREATING BUSINESS MODEL AND CAPITAL TRADE-OFFS

The Group's business model is centred on being an investment holding company, as well as a direct business operator. Unlike typical investment holding companies that may opt for passive control over their business operations via subsidiaries, the Group operates on a business ownership model with businesses acquired being driven and managed actively, leveraging on internal expertise.

While operating companies are provided ample flexibility to plan their business strategies and action plans, these are to be aligned with the Group's vision and mission and where possible, contribute to the creation of business synergy, that is, operating companies are able to leverage on the strengths and capabilities of each other towards achieving strategic, long-term and sustainable business goals and objectives.

Commercial objectives are balanced with aspirations towards nation building and value creation across the 5Ps of Prosperity, People, Planet, Partnership and Peace. The business model is robust and continues to evolve and improve in tandem with the Group's internal business strengths and strategies as well as the fast-changing business environment.

In keeping with this business model, the Group is progressing towards centralising its key business functions, processes and resources across the Group. This enables MMC to harness economies of scale and greater business speed, productivity and efficiency.

INVESTMENT MODEL AND MEASURING RETURNS

The Group leverages on its strong cash flow generation ability and balance sheet. The investment mandate is based on achieving a strategic balance between short-term projects that offer quicker but smaller returns with large-scale projects that have a longer gestation period but will yield larger returns over a longer period.

A significant portion of the Group's business revenue is concession based; that is regulated and governed by tariffs for a stipulated contract period. The Group has concession periods for a wide range of business operations ranging from ports to power generation. The concession tenure for ports ranges from 30 to 60 years, while power generation typically ranges from 20 to 25 years. Our Senai International Airport is under a 50-year concession agreement.

Investments are financed via internally generated funds as well as borrowings, with a large portion of the Group's debt being fixed-rate, long-term debt. Investments must generate a healthy return of capital based on set benchmarks. CAPEX is managed at the operating level, with operating companies providing justification of their intended spend as well as expected return and the Group providing guidance and advisory.

The Group manages its currency exchange exposure by ensuring costs incurred and revenue for a particular project are both consistently denominated in the same currency. Fiscal discipline is an essential component of the investment approach and business model.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
VALUE CREATING BUSINESS MODEL AND CAPITAL TRADE-OFFS

Future Orientation to Business Model

Responding to present market trends, the Group, notably for upcoming projects may adopt a design–build–finance–operate ("DBFO") model, whereby MMC will bolster its design-and-build proposals for public or private sector infrastructure projects with the inclusion of funding options to ensure project implementation. Sources of project funding will include external parties such as bankers, Joint Venture partners or from the capital markets.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
VALUE CREATING BUSINESS MODEL AND CAPITAL TRADE-OFFS

VALUE CREATION MODEL

The Group's value creation model illustrates how it utilises a wide range of resources or capital and through its business model, transforms these capital into values for stakeholders. These values extend beyond financial results, and comprise both tangible and intangible values, which lead to the progressive realisation of MMC's vision and mission and ultimately, nation building.

Detailed information on the Group's business model, the strategies for its respective business divisions, risk and strategic priorities are given on pages 56 to 74 of this Annual Report.

Capital Resources	Inputs	Vision, Mission & Values	Outputs & Outcomes
Financial  Shareholders' equity, debt and reinvested capital – is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital. Balancing the short-term interests with longer-term growth objectives, and with some of the interests of other stakeholder groups, remains an essential objective.	RM700 million CAPEX RM1.35 billion cash and equivalent as at beginning of the year Equity: RM9.34 billion Total assets: RM26.45 billion RM10.38 billion borrowings RM2.52 billion market capitalisation as at beginning of FY2019	**Our Strengths** Footprint in Multiple Businesses Strategic and Operational Synergy Robust Business Model Backed by operating companies with Strong and Recurring-Based Income Strong Asset and Financial Base Proven Expertise and Track Record Highly Experienced and Professional 15,221-Strong Workforce Good Marketplace Practices and Corporate Governance **Our Business Strategies** Harnessing Greater Strategic and Operational Synergy Across the Group Pursuing Cost Efficiency and Enhanced Productivity Exploring Business Expansion and Enhancing Technological Capabilities	RM4.71 billion revenue RM522 million in profit before taxes RM122 million in dividend payout Share price appreciation of 19% in FY2019 RM3.01 billion market capitalisation as at end FY2019
Manufactured  Our physical assets include our ports, power plants, airport, machinery and equipment and other tangible assets essential to Group operations and the delivery of goods and services.	5 Ports 6 Power Plants Total gas pipeline in operation is 2,468 kilometres Senai International Airport, Johor 7 Water Treatment Plants 200 prime movers focusing on specialised transport and regular haulage 12 Tunnel-Boring Machines for the KVMRT SSP Line		14.3 million TEUs of total container volume and 37.8 million FWTs of total conventional volume 39,483 GWh of gross electricity generated 201.20 million MMBtu gas sold 4.27 million airport passenger movements and 1.1 million cruise passenger movements 14,694 tonnes of air cargo transported RM6,620 million construction orderbook 170.7 million MLD of treated, potable water and recycled water produced 69% of tunnelling works for KVMRT SSP Line construction completed as at end 2019

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
VALUE CREATING BUSINESS MODEL AND CAPITAL TRADE-OFFS

Capital Resources	Inputs	Vision, Mission & Values	Outputs & Outcomes
Human and Intellectual The technical and managerial, productivity and wellbeing of our people – coupled with a company culture and governance best practices that foster innovation and the cultivation of ethical corporate behaviour. Human capital development and talent retention are also key inputs. Investing in our people is one of the most significant costs to our business.	Long-standing industry knowledge, experience and expertise High employee satisfaction and morale Empowered organisational culture Talent development and retention programmes Succession planning	Proactively Responding to Market Challenges and Conditions Talent Pipeline and Leadership Bench Development Cultivating Key Stakeholder Relationships ***Risk and Opportunities*** *Please refer to our Risks and Opportunities table in this Annual Report, page 77.* **Our Stakeholders** Shareholders Employees Government, Regulators and Policy Makers Bankers and Investors Customers, Suppliers and Industry Peers/Partners Media Local Communities	1,833 new hires and total workforce of 15,221 as at end FY2019 RM896 million spent on staff costs RM11.6 million invested in talent and organisational culture development Facilitating transfer of technology and knowledge A more empowered, dynamic and skilled local workforce Promotion of workforce diversity
Relationship The innate partnerships, collaborations and interactions developed over time that allows us to best understand our marketplace and stakeholders, and support our efforts to develop value based from an inclusive perspective.	Proactive Stakeholder engagements Dialogues, development of joint ventures and strategic agreements, etc.		Stronger investor confidence. Improved relationships with the Government and industry regulators Strengthening of our business model and value proposition, expansion into new businesses and future proofing our business amidst a dynamic and fast-changing operating environment
Natural We use natural capital such as land, fossil fuels, water and more to deploy and operate our manufactured capital. We remain cognisant of the trade-off between natural capital, financial and manufactured capitals and hence continue to manage out environmental and social impact.	Energy consumption in coal, natural gas and other resources Water consumption Land cleared		Greenhouse gas emissions Water and resource consumption Continuous efforts to reduce our environmental footprint and to empower communities across the country. Further focus on using more eco-friendly sources in contrast to fossil fuels. Adoption of more "green" methods of operations across our businesses.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
RISK AND OPPORTUNITIES

In essence, the Group defines risk as any material development that would prevent the realisation of set objectives. The Group categorises risk into business, operational, strategic and external risks and these risk factors are identified not in isolation, but from the integrated perspective of potential or actual impact to the Group's business model and its operations and business strategies.

Risks are identified at all levels. This includes at department or business unit levels, at the operating companies level and finally at Group level. Given the diverse nature of MMC's business operations, the Group is exposed to a wide range of risks.

The Group's business model is continuously adjusted and strengthened in tandem with the Group's identified risks. Similarly, operating companies respond proactively by revising their risk mitigation plan to make necessary adjustments in business strategy, processes and resource utilisation towards managing identified risks. A thorough Group-wide risk review is conducted to assess the risk levels of each operating company on a quarterly basis, the results of which are discussed and deliberated at the Risk Management Committee. Subsequently, the reports are presented to the FIRC and finally to the Board for review and notation.

The table below provides an overview of business risks and opportunities for FY2019, linking this to material aspects of the business and its direct impact upon the business strategy. We have taken a step further by identifying stakeholders most likely to be impacted by said risks.

For specific information on the Group's governance structure including the implemented risk management framework, related processes and the role played by the Board's FIRC, please refer to the Statement of Risk Management and Internal Control ("SORMIC") provided in this annual report.

STRATEGIC RISKS

Risk	Description of Risk	Linkage to Materiality	Mitigation Measures
Viability of new and current investments	Risks relating to or arising from market uncertainties or poor management that may result in impairment in values or lower than anticipated returns on investments.	Economic and Business Performance Policy and Regulations Natural Resources/ Environmental Anti-Competition Nation Building	• Establishing the FIRC to evaluate all new investments prior to Board approvals. • Conduct due diligence on all new investment ventures including assessment on specific risks related to selected investments. • Conduct audits and regular financial reporting and monitoring. • Management representation at invested entities' Board level.
Sudden changes in Government policies and project implementation	Risks related to or arising from revision in Government policies, regulations or decisions, which may impact present or future business operations or projects. The impact could be on project value, workscope or lead to deferment of or outright termination of said projects.	Economic and Business Performance Policy and Regulations Stakeholder Engagement Nation Building Quality and Satisfaction	• Keeping abreast on changes in policy and regulations via close engagement with relevant authorities and regulatory bodies. • Deployment of resources to adapt to any changes e.g. setting up committees and task force.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
RISK AND OPPORTUNITIES

OPERATIONAL RISKS

Risk	Description of Risk	Linkage to Materiality	Mitigation Measures
Breach of system and data security	Risks relating to or arising from attacks on systems or individuals, which may arise in operational disruption or failure, or loss of sensitive data. This includes loss of media, unsafe practices of collecting, storing, sending, encrypting, sourcing and removing data which may have potential implications for data safety and security.	Privacy and Rights Stakeholder Engagement Quality and Satisfaction Economic and Business Performance	• Implementation of Information Security Management System ("ISMS") to manage risks to information assets. • Enforcement of Security Guideline as per company IT Policy, which must be adhered to by all users. • Continued tests and audits of IT systems. • Established a Business Continuity Management framework and supporting practices.
Accidents/ mishaps resulting in injuries, fatalities or environmental/ social impact	Risks relating to or arising from unsafe working environments or practices that result in fatal or serious impact on MMC personnel or members of society or cause damage to the environment.	Health and Safety Natural Resources/ Environmental Policy and Regulations Human and Social Capital	• Continues to ensure operations are in line with international standards for safety and environment such as ISO 18001, ISO 14001 and ISO 45001. Respective operations are also certified with the international standards. • Established various committees to closely monitor organisation's health, safety and environmental ("HSE") performance. • Continue to develop a HSE oriented culture and business focus by organising HSE awareness campaigns and activities such as HSE Day and Management Walkabout.
Delay in project completion and cost overruns	Risks relating to or arising from internal or external developments that may impede project progress and completion. This could potentially affect schedules and lead to delays and subsequently additional costs incurred.	Economic and Business Performance Sustainable Procurement Quality and Satisfaction Nation Building	• Consistent and timely notification of project progress via Monthly Progress Reports, Management Meetings and Project Management Committee Meetings. • Establishment of Project Risk Register to closely monitor risks faced by each individual project. • Continued compliance to Group Procurement Policy and Guidelines.
Talent management and succession planning	Risks arising from lack, or non-existence, of proper and effective talent management, training needs analysis, succession planning as well as provision for training and development.	Human and Social Capital Diversity and Equal Opportunity Preventing Discrimination Economic and Business Performance	• Formation of Talent Selection Committee to facilitate talent review exercise and decide on the selected talent management programme. • Implementation of various development programmes for all categories of employees.

MANAGEMENT DISCUSSION AND ANALYSIS – STRATEGIC REVIEW
RISK AND OPPORTUNITIES

EXTERNAL RISKS

Risk	Description of Risk	Linkage to Materiality	Mitigation Measures
Security breach and terrorist acts	Risks arising from lack of security due to improper or inadequate manning, lack of facilities and criminal acts intended to provoke and create a state of terror in the organisation and/or public for political, ideological, racial, religious or any purposes.	Health and Safety Economic and Business Performance Policy and Regulations	• Comply with related security policy and protocol. • Engage relevant authorities and stakeholders on security issues. • Deploy relevant security resources and facilities.
Foreign Exchange (FOREX) volatility	Risks relating to or arising from illiquid currencies and/or uncertainties in the FOREX market that would leave the company exposed if not appropriately hedged.	Economic and Business Performance	• Established the FOREX Committee to deliberate and decide on appropriate hedging positions. • Implemented a hedging strategy to minimise FOREX impact. • Close monitoring of the FOREX market and economic data/trends, and engagement with panel bankers for views and opinions on the outlook for FOREX.
Natural Disasters	Impact from risks relating to or arising from natural disasters such as floods, earthquakes, landslides, adverse weather conditions, etc. that may lead to crisis and/or disaster. This also includes risks of disruption to business activities arising from the spread of pandemics/epidemics.	Natural Resources/ Environmental Health and Safety Economic and Business Performance	• Crisis Communications Guidelines to enable the organisation to coordinate crisis communications during major incidents and disasters. • Emergency Preparedness and Response Procedure. • Emergency Response Plan and Emergency Response Team. • Regular training and evacuation drills in collaboration with emergency services and other related parties.
Stakeholder Management	Risks relating to or arising from inability to manage stakeholders properly, adequately and timely.	Policy and Regulations Human and Social Capital Stakeholder Engagement	• Regular engagements with stakeholders through company resources, capabilities and reach to attain better outcomes for communities and the environment e.g. Corporate Social Responsibility (CSR), which consists of company-driven strategic initiatives centered on education and community development, human capital development and environmental preservation. • Regular monitoring and reporting of stakeholder engagements and activities.

SERVING AS THE NATION'S GLOBAL GATEWAY

MMC's ports are the strategic gateways for national trade and commerce, vital to spurring economic growth.

Within Malaysia's export-oriented open economy, our ports generate tremendous value across a large number of industries, sectors and value chains.

MMC Ports brings the world to Malaysian shores and allows Malaysia to access international markets and emerging business opportunities in a dynamic, globalised world.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MANAGEMENT DISCUSSION **AND ANALYSIS**

OPERATIONS REVIEW

PORTS AND LOGISTICS DIVISION

	FY2017	FY2018	FY2019
Container Volume (million TEUs)	13.8	14.2	14.3
Conventional Volume (million FWT)	36.5	38.8	37.8
Revenue (RM' billion)	2.82	3.00	3.18
Profit Before Tax (RM' million)	479	413	449

MACRO-OPERATING ENVIRONMENT

In FY2019, global trade continued to feel the effects of ongoing disputes between major economies, rising fuel prices, technological disruption, as well as unstable commodity prices. Within the industry, the continued streamlining of shipping alliances and a declining number of independent lines impacted the industry's value chain with the effects being felt by port operators.

Responding proactively to the operating environment, the Ports and Logistics Division continued to optimise operations, promote efficiency and reduce logistics costs.

Displaying strength amidst adversity, the division registered positive performance for the financial year.

BUSINESS AND OPERATIONAL PERFORMANCE

In FY2019, the Ports and Logistics Division continued to focus on improving service delivery to customers and to forge stronger stakeholder relationships, notably with customers, ministries, Government agencies and local port authorities.

From an operational perspective, the division enhanced our efficiency, productivity and capacity at all ports by improving vessel turnaround time and waterfront efficiency, undertaking assets and facilities enhancements to handle more cargo and implementing many other initiatives towards increasing vessel calls and achieving higher throughput volume.

The Ports and Logistics Division also undertook upgrading and development of port assets and infrastructure, talent development initiatives and focused on reinforcing the health, safety and environmental ("HSE") performance across all ports.

Efforts were also made to standardise equipment used in ports to drive greater economies of scale and to facilitate collective purchasing of spare parts and inventory to derive greater cost efficiency.

A bulk diesel purchase agreement is about to be signed with Petronas Dagangan Berhad which will also support greater port efficiency in the long term.

Under the agreement, Petronas Dagangan Berhad will provide all support equipment and will manage all diesel distribution activities for all of MMC's ports. This provides improved supply visibility and reliability while enabling our ports to benefit from competitive diesel rates.

We continue to pursue synergistic capabilities (suppliers' global agreements) by looking at how individual ports can work together relying on MMC ports' synergy and value proposition to main line and regional line operators.

Commercial synergy across ports will enable the division to work more strategically with customers in response to market trends and to derive timely approaches to better support customers' requirements.

Synergy was also reflected when many infrastructure development projects within MMC ports were undertaken by the Group's Engineering Division.

HIGHLIGHTS AND ACHIEVEMENTS

In FY2019, the total container volume stood at 14.3 million Twenty-foot Equivalent Units (TEUs), while conventional cargo was 37.8 million Freight Weight Tonnes (FWT).

The division's performance was commendable given the challenging operating conditions for port operators in FY2019.

Container Volume (million TEUs)	FY2017	FY2018	FY2019
PTP	8.4	9.0	9.1
Johor Port	0.9	0.9	1.0
Northport	3.0	2.8	2.7
Penang Port	1.5	1.5	1.5
Tanjung Bruas Port	-	-	-*
Total	**13.8**	**14.2**	**14.3**

** Commencement of container operations at Tanjung Bruas Port in April 2019, amounting to 11,700 TEUs*

Conventional Cargo Volume (million FWT)	FY2017	FY2018	FY2019
Johor Port	17.4	19.1	18.2
Northport	8.2	8.6	9.3
Penang Port	10.0	10.4	9.3
Tanjung Bruas Port	0.9	0.7	1.0
Total	**36.5**	**38.8**	**37.8**

MANAGEMENT DISCUSSION **AND ANALYSIS**

PELABUHAN TANJUNG PELEPAS SDN BHD

In FY2019, Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") further bolstered its track record for world-class customer service, while registering various encouraging business and operational highlights.

Since its inception, PTP has achieved tremendous growth year after year and has benefitted from its strategic location in the middle of the East and West trade routes. The port continues to progress into becoming a major regional port and global hub, driven by the strategic partnerships forged with 2M Alliance and Evergreen Marine Corp. The partnerships have boosted PTP's business growth and strengthened its existing relationships with shipping companies, as well as in securing future cargo volume.

Through this strategic approach, PTP benefits from substantial cargo volume via our partnership with the 2M Alliance Network. This is the key strategy implemented to counter the effects of the stiff competition from ports in neighbouring countries. PTP also provides strategic support as a secondary hub, thus reducing the reliance on a sole main hub, which is beneficial to our partners.

HIGHLIGHTS AND ACHIEVEMENTS

In FY2019, PTP handled 9.1 million TEUs, which was an increase of 1% compared to the previous year's 9.0 million TEUs. Transhipment volume grew by 1.4% and local cargo increased by 0.5%. Volume growth contributed to revenue expansion while cost per TEU continued to decline.

Free Zone volume in FY2019 witnessed a 15% increase from 86,249 TEUs in 2018 to 99,439 TEUs in 2019. The take-up rate for land leased in the Free Zone area now stands at 95%, where 395 acres out of 416 acres in Phase 1 and Phase 2 have been leased to customers.

Higher capacity and efficiency in container handling clearly provided PTP with the flexibility and ability to effectively meet customers' changing demands and to provide excellent service delivery with greater precision and timeliness.

The 18-metre channel depth has enabled mega-sized vessels to berth directly at PTP without being restricted by the inadequate draft.

A significant milestone was achieved when PTP became the first port in South East Asia to welcome Mediterranean Shipping Company's ("MSC") latest and largest container vessel in the world as part of its maiden voyage and subsequently left PTP for Europe.

The historic calling of *MSC Gulsun* led to back-to-back world records for PTP, when the vessel left PTP on 28 July 2019 with a record load of 19,574 TEUs, surpassing the previous world record of 19,284 TEUs set by *Monaco Maersk* at PTP in June 2019.

PTP notched several Port Moves Per Hour ("PMPH") records throughout 2019. The first PMPH record was broken on 18 March 2019 when the team successfully recorded the highest PMPH record on the AE7 service *(Mathilde Maersk)* with an overall PMPH record of 235.7.

On 10 September 2019, PTP once again reached a new PMPH milestone when the team secured the highest all-time PMPH record for the Evergreen Line *(Evergreen Ever Goods)* with an overall record of 206.6, a 37% increase from the previous high of 150.4 recorded in October 2017.

Also noteworthy, on 12 September 2019, another record was set when PTP successfully set a new back-to-back PMPH record of 253 on the A10E Service *(MSC Dittle)*, surpassing its previous PMPH record of 235 set on 5 September 2019.

The port counted more than 40 international and local companies, including world renowned brands such as Volkswagen, Decathlon, Unilever, Hasbro, Marks & Spencer, DHL, Flex, Panasonic, Alcon and many more who have made PTP as either their regional operations or distribution centres. Total Foreign Direct Investment ("FDI") and Domestic Direct Investment ("DDI") stood at RM2.90 billion as at 31 December 2019.

Another major highlight was the successful Navis N4 terminal operating system migration, which went "live" on 11 July 2019. The project, one of the largest terminal operating system migrations ever undertaken, involved more than 60 experts from around the world working together with PTP employees. The Navis N4 provided PTP's operations with a new terminal operating system that facilitates improved performance and scalability to meet future expected volume growth.

Still on the technology front, PTP continued to implement various preparatory measures towards eventual adoption of a new Enterprise Resource Planning ("ERP") system.

In June 2019, PTP signed a Memorandum of Understanding ("MoU") with Terberg Tractors Malaysia to develop a comprehensive study on the viability of deploying autonomous driving terminal tractors to transfer containers within the terminal.

PTP continues to invest and upgrade its existing infrastructure and facilities. In FY2019, the port procured eight additional quay cranes and 10 Rubber-Tyred Gantry ("RTG") cranes while also investing in the refurbishment of existing cranes. This will complement PTP's earlier upgrading of its berths and channel dredging, which have deepened the draft to 18 metres.

As part of the Safety Transformation Plan, PTP had successfully sealed an agreement in May with the National Institute for Occupational Safety and Health ("NIOSH") to develop a comprehensive Port Safety Passport Programme for port workers. Under the programme, PTP and NIOSH will collaborate to develop and implement a training programme, specially designed for contractors working or will be working in the port industry, especially in PTP.

Equally significant was the strategic partnership agreement inked with the Social Security Organisation ("SOCSO") to focus on disability management through the Return To Work ("RTW") and Back Injury Protection and Rehabilitation Programme.

Emphasis was placed on developing PTP's talent in FY2019. In particular, we focused on increasing the knowledge level of the workforce via continuous training, engagement and talent exchange programmes, as well as through various other human capital development initiatives with universities and Technical and Vocational Education and Training ("TVET") institutions.

In 2019, PTP collaborated with Politeknik Ibrahim Sultan, Politeknik Mersing and Universiti Malaysia Terengganu to design internship programmes relating to Engineering (equipment and facilities maintenance), Information Technology (Cyber Security) and Marine, respectively. High-potential students from these internship programmes may be selected for employment with PTP.

Given the importance of strong stakeholder relationships, PTP continues to engage actively with key Government agencies to ensure port operations are in accordance with the latest regulatory policies, acts and guidelines.

Two-way engagement is also vital in enabling stakeholders to gain a better understanding of port operations, challenges and issues faced, as well as on implemented action plans and results achieved. Good knowledge and understanding by all parties facilitates improved statutory compliance and ensures optimum business operations and port development.

OUTLOOK AND PROSPECTS

Looking forward, global economic conditions are expected to remain challenging. Competition from neighbouring ports within the country and the region will also intensify.

PTP will respond accordingly to the operating environment by leveraging on its inherent strengths such as its strategic location, proven track record for operational excellence and by continuing to embrace digitalisation and innovation towards enhancing the value proposition offered to customers.

A 15% increase in port tariffs, gazetted in FY2019 has been implemented at PTP effective January 2020. The upwards revision will provide a buffer against rising costs while boosting revenue going forward.

The change in management strategies, which encompasses cross functional collaboration towards identifying and eliminating 'waste' and to derive strategic savings will be reinforced further towards strengthening business sustainability and delivering organic growth.

JOHOR PORT BERHAD

Since commencing operations in 1977, Johor Port Berhad ("Johor Port"), located in Pasir Gudang, remains a strategic gateway for the southern region. The 1,000-acre multi-purpose port comprises 660 acres of Free Zone Area and five port terminals with 24 berths occupying more than 300 acres. Total port capacity is 40 million FWTs. It also holds the distinction of having the world's largest edible liquid terminal.

As a multi-purpose port, Johor Port handles containerised, conventional and Free Zone cargoes, notably from the Pasir Gudang industrial area. Johor Port leverages on its established hinterland of customers and synergies derived from other MMC subsidiaries, namely PTP and Senai International Airport.

In FY2019, Johor Port focused on performance improvement initiatives centred on the following key aspects: customer relationship building with existing and new customers, capacity building towards meeting industry demand; and business diversification to create additional revenue streams independent of port operations.

The port is also one of the few beneficiaries from the persisting US-China trade wars. The ongoing spate has led to many China based industries choosing Johor; specifically, Iskandar Malaysia and Pasir Gudang to establish their regional hubs or operating facilities with the goal of exporting final products to the US.

Conversely, US firms also sought import alternatives to China; opting for Malaysia and other countries. This has indirectly contributed to Johor Port's increased throughput volume in FY2019.

There was also some nominal increase in transhipment cargo from the East Malaysian ports to Johor Port, connecting onto Intra-Asia Services. This also contributed to a larger number of calls. Johor Port has traditionally been strong on the Far-East maritime trade route, given its strategic location between the East and West shipping lanes.

MANAGEMENT DISCUSSION **AND ANALYSIS**

HIGHLIGHTS AND ACHIEVEMENTS

In FY2019, Johor Port saw container volume rise by 11% year-on-year to 1.04 million TEUs. Another key highlight was the successful designation of Johor Port as an approved delivery point under commodity exchanges such as the London Metal Exchange ("LME"), Chicago Mercantile Exchange ("CME"), Kuala Lumpur Commodities Exchange ("KLCE") and Asia Pacific Exchange ("APEX").

The port also provided port management services at the Pengerang Integrated Petroleum Complex ("PIPC"). Johor Port also oversees management and operations of Tanjung Bruas Port in Melaka.

Johor Port started offering various incentive packages to attract new customers to its Free Zone Area in FY2019. Our efforts were successful and eight new customers for warehouses and land were received in FY2019.

Port expansion capacity works undertaken in FY2019 were in line with Johor Port's 5-Year Expansion Plan. Works completed during the financial year was the rehabilitation of BT9, BT2, W5 and W6 at the Bulk and Break Bulk Terminal ("BBT").

The port also focused on rehabilitating the BBT wharves and jetties, as well as developing the 303,445 sqft double storey Warehouse 3E with an annexed office space (25,067 sqft). With refurbishment completed, the warehouse increased Johor Port's existing storage footprint and has been leased accordingly to generate revenue.

The aforementioned Expansion Plan also entailed a 5-Year Equipment Replacement and Refurbishment plan. In line with this, Johor Port received one new quay crane, four new RTG cranes and 42 new terminal tractors to support container operation expansion. The new infrastructure is a pre-emptive move in support of our aim to increase capacity and to handle more cargo.

The cumulative result of our various improvements led to Johor Port surpassing the 1 million TEU mark. In FY2019, container volume reached 1.04 million TEUs (FY2018: 0.9 million TEUs). Conventional cargo saw a marginal 4% drop to 18.2 million FWT (FY2018: 19.0 million FWT).

Presently, works are progressing on track for the expansion of the container yard to increase capacity from 1.2 million TEUs to 1.5 million TEUs. This will be achieved by increasing the number of ground slots and improving container stacking from 3 to 5 containers high. Completion is slated for the first half of FY2020.

On the back of increasing container cargo, Johor Port's revenue was RM540 million, 12% higher year-on-year (2018: RM481 million), while Profit Before Tax ("PBT") was RM168 million, 110% higher year-on-year (2018: RM80 million). A land sale of 20 acres to Shui Xing Ventures also contributed directly to its revenue and earnings in FY2019.

In terms of corporate governance, Johor Port has adopted the ISO Standards and was certified with the ISO 9001, ISO 27001, ISO 45001 and ISO 55001 standards in FY2019. It is the first Malaysian port to be accredited with the ISO 27001 (ISMS) and ISO 55001 (AMS) certifications. In FY2019, Johor Port also established its Anti-Bribery and Anti-Corruption Policies.

OUTLOOK AND PROSPECTS

Johor Port continues to be responsive to the various external factors within its operating environment and to adopt the necessary strategic measures to maintain its growth trajectory.

However, the recent onset of Covid-19 pandemic, which has impacted the world, has led to a reduction in overall economic activity and trade. Consequently, we foresee growth momentum for Johor Port in FY2020 to also be impacted especially for the first half of FY2020.

It is likely that global trade will start to recover in the latter part of the year, and with that, we remain cautiously optimistic of our growth prospects going forward.

We also draw confidence from the comparatively strong economic growth within Johor state, driven by a wide range of factors including the strong investments in Iskandar Malaysia. Johor Port is likely to benefit from the continuing development of key projects in Johor such as RAPID Pengerang, Johor Halal Park, Johor Biofuel Hub and others.

The port will also look to leverage on its inherent position as a preferred Offshore Inspection Maintenance & Repair ("OIMR") centre for oil and gas players.

Given Johor Port's strategic location, further efforts will be placed on positioning the port as the preferred Intra-Asia destination.

Emphasis will be placed on tapping loose cargo coming from Sumatera, Karimun and Riau Provinces, which can be containerised or vice versa.

The port's management also intends to further develop Johor Port as a cocoa trading hub and to designate it as an approved delivery point under the various international commodity exchange such as the Zhengzhou Commodity Exchange, Dalian Commodity Exchange, Shanghai Futures Exchange and Intercontinental Commodity Exchange.

Accreditation by these international commodity exchanges will further distinguish Johor Port as a major commodity hub and trading centre. This will encourage overseas-based traders to utilise the port's warehouse space. The port is also better positioned to serve as a transit point to attract more agricultural produce from Indonesia's surrounding islands, which will be re-distributed in the form of containerised cargo to regional consumer markets. As a result, cargo throughput will increase, going forward.

Other strategic priorities are centred on three key focus areas: Performance Improvement, Capacity Building and Business Diversification.

In addition, cost efficiency will remain a priority with a thorough review of our Maintenance and Repair ("M&R") and manpower requirements to be conducted in FY2020.

In building port capacity, we will continue to expedite work on the container terminal expansion project. Once completed in the first half of FY2020, the expansion will boost our annual handling capacity to 1.45 million TEUs, from the present 1.2 million TEUs. We are also extending the liquid jetty to increase annual handling capacity to 20 million FWT from the present 16 million FWT.

Another plan in the pipeline includes the development of the double-storey, 300,000 sqft warehouse on the former Customs area to accommodate future demand from the commodity market within the region. The plan is to develop the said warehouse on five acres of land. Total estimated cost stands at RM60 million and construction is expected to be completed within two years.

Our satellite terminals will also see improvements going forward. Terminal 2, located at Zone 12C at the Pasir Gudang Industrial Area will see the addition of a new single-storey 53,000 sqft, warehouse.

With its 82 acres of Free Zone land, Terminal 2 will support Johor Port's expansion plans and at the same time, provide additional space capacity to serve the needs of the surrounding industries. Some of the industry players who are already operating here include Regency Steel Asia Ptd Ltd, Tech Offshore Marine Shipyard (S) Sdn Bhd, C. Steinweg Warehousing (Far East) Pte Ltd, Shui Xing Group, Panda Global Logistics and Greating Fortune.

Terminal 3, situated at the Tanjung Langat Industrial Complex is being developed as an export processing zone and cargo consolidation centre with Free Zone Status. The focus in FY2020 is to consolidate all containers from Tanjung Langsat Industrial Complex to be exported/imported through Johor Port.

Once fully completed, the upgrading works will double Johor Port's cargo handling capacity to 80 million FWT with 1.3 million sqft of additional storage capacity.

Upgrading of the terminal operating system and ERP System to increase port efficiency is also in the pipeline for FY2020.

With regards to business diversification, we are looking to establish a Liquefied Natural Gas ("LNG") bunker and a bunker hub at the Pasir Gudang Port Water Limit. This will facilitate bunkering of LNG vessels by providing a dedicated location for bunkering activities that allow for ship-to-ship ("STS") operations at the Pasir Gudang Port Water Limit.

The expected revenue derived from pilotage, standby tug, anchorage dues and port dues will strengthen our existing revenue streams. There is likely to be spill over from Singapore's bunkering activities with an estimated market size of approximately 50 million MT per annum.

In a similar vein, leveraging on our inherent position as a preferred OIMR location, we aim to offer oil rig maintenance services. This includes *halal*-related propositions such as *sertu/samak* for kitchens in oil rigs.

Other revenue diversification efforts include providing marine services outside of the Pasir Gudang port limits and our JP Skill Centre.

NORTHPORT (MALAYSIA) BHD

FY2019 was a challenging year for Northport (Malaysia) Bhd ("Northport"), following the restructuring and realignment of the Shipping Lines alliances. In response, Northport mitigated the effects of these developments via its Reinventing Northport Master Plan ("RNMP"). The RNMP is designed to improve port productivity, throughput and ultimately, revenue and profitability.

As a result of the RNMP and other strategic efforts in FY2019, Northport met various performance targets and has continued to progress strongly during the year under review.

On the back of increased tariffs, higher rental income and higher tonnage from its Break Bulk and Roll-on Roll-off ("RoRo") segments, Northport's revenue grew 4% year-on-year to RM683 million (FY2018: RM654 million).

Our Get Revenue In initiatives yielded additional income streams of RM6 million whilst our Take Costs Out initiatives resulted in total savings of RM11 million.

Costs were relatively contained despite the impact of MFRS 16 and expenditures arising from the Voluntary Separation Scheme ("VSS") exercise, totalling to RM58 million. In FY2019, Northport's overall expenses were maintained at RM576 million, a marginal 0.17% increase year-on-year (FY2018: RM575 million).

On the back of increasing revenues and enhanced operational efficiency, Profit After Tax ("PAT") rose 3% year-on-year to reach RM65 million (FY2018: RM63 million).

MANAGEMENT DISCUSSION **AND ANALYSIS**

HIGHLIGHTS AND ACHIEVEMENTS

Our container business in FY2019 saw a 2% decrease in throughput to 2.7 million TEUs. Diversion of major shipping alliances' mainline services to competitor ports and outright termination were the main factors for lower container volume.

However, Northport's conventional cargo volumes fared better, reaching a five-year high in FY2019 of 9.3 million FWT. This was an 8% expansion year-on-year (FY2018: 8.6 million FWT). Both Break Bulk and RoRo volumes, which increased by 10% and 75% respectively year-on-year, were the main contributors to the expanding conventional cargo volume.

Break Bulk cargo increased on the back of higher handling of iron and steel (by 10% to 2.2 million FWT) and project cargo (by 70% to 109,919 FWT). Despite a 2% reduction in Liquid Bulk cargo handling to 2.5 million FWT (FY2018: 2.6 million FWT), palm oil products registered an increase of 6% to 1.1 million FWT (FY2018: 1.0 million FWT).

The RoRo segment was boosted by the synergistic partnership with Proton Holdings Berhad ("Proton"). On 6 March 2019, Northport signed a strategic collaboration and services agreement with Proton.

The agreement affirms Proton's commitment to continue leveraging on Northport as their preferred export, import and storage facility for Proton vehicles. Northport handled 27,900 Completely Built-Up ("CBU") units of the best-selling, Proton X70 at the enhanced 54 acres Vehicle Transit Centre in 2019.

On a related note, the Government's exemption of Approved Permits ("AP") for Automobile Transhipment came into effect on 1 April 2019. Northport capitalised on this development by targeting potential car carriers, car manufacturers and car assemblers to leverage on Northport as their preferred hub for export and import activities, as well as storage facilities.

Another highlight was Northport's maiden shipment of 500 FWT of liquefied petroleum gas ("LPG"), with the docking of *MT Patcharawadee* 14 at the formerly unutilised LPG plant within the Northport area on 4 April 2019. The plant is now being used by Mygaz, a domestic supplier of LPG gas for household, commercial and industrial purposes. Mygaz's LPG handling is expected to increase to 100,000 FWT within the next two years.

Northport initiated several initiatives to optimise its facilities and improve asset utilisation. This included a significant asset rationalisation exercise that saw 58 prime movers, 43 trailers and four quay cranes being disposed off for a total sum of RM12.4 million.

Newer assets and equipment were introduced in FY2019. This included the arrival of six new ZPMC quay cranes, which notably improved container handling productivity in the second half of 2019.

Refurbishment work on Wharf 15 was completed on 30 December 2019. Works were undertaken to further reinforce the under wharf structure to accommodate Break Bulk and the new equipment for palm kernel expeller ("PKE") operations.

Northport also established a Biomass Logistics Hub at Southpoint to cater for the demand of biomass products from East Asian countries, namely Japan and South Korea. Both countries are developing more RE power plants as an alternative to fossil fuel and nuclear power plants.

Northport provided a more centrally located empty On-Dock Depot for Wan Hai Lines Ltd, a full-container vessel shipping company that accounted for 51% of total port container throughput in 2019. The provision of the On-Dock Depot enabled further cost savings via a more efficient container flow between the wharf and yard. It has also enabled improved vessel productivity. Post relocation, Wan Hai has increased their transhipment volume and made Northport as their main hub port after Kaohsiung in Taiwan.

The commissioning of the new PKE ship loader in May 2019 has boosted handling productivity by 38% from 200 tonnes per hour to 275 tonnes.

On a separate note, on 1 August 2019, Northport completed the acquisition of a 200,000 sqft warehouse in Tanjung Harapan from Kontena Nasional Berhad. The warehouse will further enhance the port's existing capabilities to provide integrated logistics services to customers.

Another highlight was Northport being ISO45001:2018 certified – a distinctive recognition that recognises the port's excellent health, safety and environment ("HSE") performance. Northport is Malaysia's first and only port to have attained the ISO45001:2018 certification. The achievement is the result of continuous efforts to set industry benchmarks and adopt globally recognised best practices for HSE.

Another first for Northport was the use of aerial drones for surveillance purposes, as well as for inspection of equipment and facilities. The unmanned round-the-clock drone system fulfills various port security needs, such as general surveillance, parameter monitoring and detection of suspicious activities.

The introduction of the drones was part of the larger overall efforts to improve port security, which consists of an integrated Closed-Circuit Television Camera ("CCTV") system, round-the-clock real-time monitoring and other security improvements.

On 28 June 2019, Northport launched its Northport Mobile Application, which enables customers to access and track their container status anytime, anywhere. The successful rollout of the application will be followed by more digital offerings towards enhancing the port's customer services and overall value proposition.

Pertaining to environmental performance and sustainability, Northport has established a dedicated Port Reception Facility ("PRF") to manage scheduled and non-scheduled waste in compliance with the International Convention for the Prevention of Pollution from Ships ("MARPOL") standard.

Fully operational in February 2020, the facility has given Northport another industry first; that is being the first Malaysian port to provide a port reception facility within its terminal. For now, there are only 41 ports in the world that provide such a facility.

Northport has expanded its East Malaysian footprint and connectivity with the signing of a Strategic Collaboration Agreement ("SCA") with POIC Sabah Sdn Bhd on 18 October 2019.

The SCA paves the way to strengthen trade links and increase cargo flows between Northport and Lahad Datu, Sabah, home to POIC's industrial park, which is poised to become a 4,400-acre integrated industrial complex catering to light, medium and heavy industries. The collaboration was made possible through The East Malaysian Network or TEAM Network, which consists of Shin Yang Shipping and Harbour Link Lines that provide direct calls to Lahad Datu.

Northport further reinforced its Halal Silk Route initiative with the signing of a MoU with Sojitz (Malaysia) Sdn Bhd and NL Cold Chain Network (M) Sdn Bhd on 19 February 2019 to establish the Malaysia-Japan *Halal* Value Chain. The collaboration paves the way for the establishment of an integrated *halal* value chain between Port Klang and Japan by creating an end-to-end logistics network, as well as facilitating *halal* trade arrangements between Malaysia and Japan.

OUTLOOK AND PROSPECTS

External headwinds brought on by various macroeconomic factors and geo-political factors will likely persist. These include the ensuing trade war between China and the US, uncertainties arising from Brexit and other factors. These macro developments are likely to affect global trade.

However, these could also provide opportunities for Malaysia to position itself as the country of choice for foreign direct investment. This has been evident in FY2019, especially for manufacturing activities and the establishment of regional distribution centres ("RDC").

The ongoing trade spate between China and the US has led to many China companies seeking alternative destinations for their operating facilities to export their final products to the US. Conversely, the same applies to US firms, who are still keen on tapping China's large market.

The management of Northport will double its efforts to rise against the challenges and to realise its business objectives. Northport will continue to enhance its appeal to establish their RDCs at Northport.

With Intra-Asia trade being a main growth area, management has identified the following levers to catapult Northport into becoming a regional gateway. These levers are:

- Yard reconfiguration and acquisition of assets
- Business expansion through resource optimisation
- Development of high-end facilities and new ventures
- Improving the availability and reliability of existing equipment
- Developing highly skilled employees through advanced training and on-the-job exposure
- Continuous engagement with industry players and regulators to enhance collaboration within the port and logistics sector and to yield further improvements in productivity and efficiency

The Approved Permit exemption will further entice car carriers and car manufacturers to use Northport's facilities as their preferred transhipment hub. We aim to become a regional distribution hub for automobile transhipment, going forward.

MANAGEMENT DISCUSSION **AND ANALYSIS**

We also foresee increased gas shipments with Mygaz LPG anticipated to handle up to 100,000 FWT within the next two years. Continuous domestic demand for iron and steel will sustain the Break Bulk segment in maintaining its positive growth; while the Liquid Bulk segment is likely to sustain strong volumes through palm oil cargoes.

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

PENANG PORT SDN BHD

As the primary port in Northern Peninsular Malaysia, Penang Port Sdn Bhd ("Penang Port") continues to bank on the volume of cargo and trade from Southern Thailand, as well as the cruise ship segment.

FY2019 proved to be a tough year for Penang Port. Ongoing trade disputes between the US and China had resulted in lower container and conventional cargo volume and throughput.

Nonetheless, the cruise ship segment continued to see healthy growth, boosted by tourism and passenger arrivals from across the region. In 2019, the global cruise industry grew by 6% with over 30 million travellers, up from the previous year's 28.2 million.

On the back of a growing international and domestic cruise industry, Penang Port posted a new record high of 3,722 cruise passengers daily, excluding regional ferry passengers. This is equivalent to 1.4 million passengers per annum. Coupled with 164,262 regional ferry passengers received across FY2019, Penang Port saw a total passenger count of 1.1 million passengers, an increase from the previous year's 1.0 million.

In terms of vessel calls, Penang Port received an average of 16 calls per day for a total of 5,794 calls (including 732 regional ferry calls) for the whole year. This represented a 10% decrease from the previous year but an increase of 1% in terms of gross register tonnage ("GRT").

One of Penang Port's major highlights was the continued redevelopment of the Swettenham Pier Cruise Terminal ("SPCT") to accommodate two mega cruise vessels. The expanded terminal will see the solid berth deck increased to 600 metres from the present 400 metres, while breasting and mooring dolphin berths will be expanded by 50 metres and 68 metres respectively.

Post completion, Penang Port will have a new wharf length of 793 metres to cater for simultaneous berthing of two *Oasis*-class cruise vessels.

The length overall ("LOA") of an *Oasis*-class is 362 metres. An *Oasis*-class can carry a maximum number of 6,000 passengers. Hence, double berthing will allow the expanded SPCT to have a 12,000-passenger capacity.

With the increase in calls by larger cruise vessels, the revenue from passenger handling will increase simultaneously. There will also be a significant spill over of economic benefits for tourism in Penang.

On a separate note, upgrading works at the North Butterworth Container Terminal T1 ("NBCT T1") is also progressing smoothly. Post expansion, container handling capacity and efficiency will increase by 40% from the present 2.0 million TEUs per annum to 2.8 million TEUs.

The said upgrading works are divided into two sections: the first is to expand berth capacity by 194,000 TEUs (from 2.1 million TEUs to 2.3 million TEUs) upon the completion of the terminal upgrade. The terminal upgrade scope is to extend the rear deck and rail gauge from 17 metres to 30.5 metres, allowing existing quay cranes to be utilised more efficiently.

The second part of the work scope involves the acquisition of two quay cranes (Post Panamax cranes) for Ship-to-Shore handling, which will increase handling capacity from 2.3 million TEUs to 2.7 million TEUs. The estimated total equipment cost is RM85 million.

Another development initiated in FY2019 was the centralisation of tankage facilities at Prai Wharves. The centralised tankage facilities complement the two other terminals, allowing Penang Port to serve a diverse range of customers. Upgrading works include improvements to the building and operating central tankage facilities to handle hydrocarbon products.

Phase 1 comprises the North Petroleum Terminal ("NPT") with a 15.36 acres area. Phase 2 comprises works on a reclaimed 14.70 acres land and pipeline to the jetty. The master plan for the North Butterworth Container Terminal ("NBCT") expansion is one of the future infrastructure developments.

In improving the sustainability of our operations, Penang Port continues to adopt more environmentally friendly ways of operating. This includes progressively transitioning from using fossil fuel to "greener" alternatives.

The port has explored RE alternatives such as underwater currents as well as solar panels towards identifying the feasibility of such alternatives for generating electricity to power port operations.

Apart from the two additional fully electrified rail-mounted gantry cranes ("RMGs") for yard operations, Penang Port is moving towards efficient cargo handling via the usage of hybrid RTG cranes, which rely on battery power and allow for greater fuel savings compared to conventional RTG cranes.

Aside from port upgrades and development, Penang Port improved its terminal productivity in FY2019. This reduced congestion at the gate and yard, especially for container imports. We have also continued to implement various cost efficiency and revenue optimisation initiatives during the financial year.

Cost savings at the operational department were achieved via initiatives taken by the container operations department.This included shutting down RMGs during the third shift, which has resulted in fuel costs savings.

Additional savings were achieved through the efforts of the procurement department via negotiations with vendors and suppliers, as well as the efforts from the Expenses Review Committee, which reviewed and subsequently trimmed the expenses of various departments accordingly.

Internally a review of current processes with the objective of improving efficiency is ongoing towards realising further improvements. There will be greater centralisation of common functions within the Operations Division such as fuel management, stevedoring and Information Technology ("IT").

The Human Resources Department's key highlight for FY2019 was the successful conclusion of the Collective Agreement (2019-2021) with Penang Port's Employees' Union. The major concern pertaining to the cessation of the Retirement Benefits Fund ("RBF") was amicably resolved by both parties resulting in an estimated savings of over RM140 million for Penang Port. The exercise also met its fundamental objectives of mitigating the risk of major cash flow issues, whilst maintaining the industrial harmony between the Union and the port's management.

In FY2019, the Human Resources Department embarked on the digitalisation of its HR manual processes with the implementation of the Success Factors system. The system offers employees self-service functionality for their personal data and annual leave. The MEDKAD System was also implemented for managing employees and dependants' medical outpatient benefits. Both systems are cloud-based, which provides easy accessibility via mobile devices.

Another milestone achieved was the introduction of the Employees' Career Advancement Programme @ e-CAP. This joint venture with Politeknik Seberang Perai, Pulau Pinang offers 12-month, "fast-track" professional programmes designed specifically for Penang Port's operational requirements. In September 2019, 29 support employees graduated successfully, making this pilot project an effective maiden endeavour.

OUTLOOK AND PROSPECTS

Given that cruise tourism is a key growth driver for Penang Port, the impact of Covid-19 will certainly dampen prospects going forward. The tourism industry, specifically, the cruise ship segment has been significantly affected by the virus pandemic.

Initial projections of burgeoning growth in FY2020 have now been revised to more moderate estimates as cruise operators defer their voyages or opt for outright cancellations due to low consumer demand. This is most evident for cruise voyages to Asian ports.

Covid-19 will affect cruise revenue in the short term and for long term, particularly in Asia.

While global trade factors may dampen overall trade, opportunities are also present amidst this turbulence. Penang Port has received enquiries from companies in China, who wish to establish manufacturing and warehousing facilities in Penang. We continue to actively pursue these and other business opportunities and look forward to a successful conclusion in FY2020.

While the short-term prognosis appears turbulent, the medium and long-term outlook for the cruise ship segment remains promising.

Furthermore, Penang Port is one of the few ports in Malaysia identified as being most appealing to cruise liners in Malaysia, given its strategic location, the ready infrastructure and the attraction of the larger Penang tourism ecosystem.

The expansion of the cruise terminal and strengthening of the container terminal are some of the initiatives and strategic moves to steer Penang Port ahead and to remain competitive in the industry.

While the outlook remains promising, the onus is on Penang Port to pursue further cost efficiencies and operational productivity. A safe and secure environment will also be maintained. We will consistently execute our strategies towards becoming a leading port operator in the region. Penang Port remains focused towards improving its performance and expanding revenue per annum, while progressively evolving into a more sustainable organisation.

TANJUNG BRUAS PORT SDN BHD

Tanjung Bruas Port Sdn Bhd ("Tanjung Bruas Port") continued to register an upward momentum in both its financial and operational performance in FY2019. Among the port's highlights includes its highest throughput volumes registered during the year, since assuming operations in 2016. Throughput cargo for the financial year rose to a three-year high of 986,010 FWT, 38% higher year-on-year with cargo throughput comprising mainly from Dry Bulk and Break Bulk cargo.

Tanjung Bruas Port also reached a historic milestone when it recorded its first container operation in its 40-year history. On 18 April 2019, a container ship, *MV West Scent* sailed, bound for Humen, China carrying 715 TEUs, thereafter loading another 389 TEUs. On average, Tanjung Bruas Port continues to handle two container vessels per month.

On the back of these notable achievements, Tanjung Bruas Port delivered stronger revenues and earnings for FY2019, with a revenue of RM22 million (FY2018: RM13 million), translating to a significant increase of 70%.

On the back of stronger revenues, port profitability also improved considerably by 25% with a PAT of RM5 million (FY2018: RM4 million).

MANAGEMENT DISCUSSION **AND ANALYSIS**

The improved business and operational performances are attributed to the various strategic alliances formed with third parties, which has resulted in higher cargo capacities and cargo throughput coming to Tanjung Bruas Port.

The strong stakeholder relationships developed over time with Government agencies and regulatory bodies have also paved the way for further improvements in port operations, in addition to ensuring that the port continues to comply with set industry benchmarks. The decision to establish an open yard for Dry Bulk cargo handling has contributed to the increase in cargo volumes.

Competition, however remained intense from surrounding private jetties. In mitigation, Tanjung Bruas Port pursued its business strategies and increased ongoing efforts towards improving port efficiency. We have augmented improvements to port efficiency by providing excellent pilotage, towage, stevedore, trimming and other services.

In FY2019, the port strengthened its strategic positioning as a multipurpose port in Malaysia, supporting larger ports while capturing hinterland cargo volume from the industrial areas located in Melaka, southern Negeri Sembilan and northern Johor.

In FY2019, Tanjung Bruas Port's successful diversification strategies to expand into container operations has yielded several benefits. Not only did this boost port volume and attract new customers, it also enabled the port to demonstrate its full capabilities. The aforementioned loading and sailing of *MV West Scent* is a resounding success story that going forward, will attract more container volume, especially hinterland cargo.

Beyond business diversification into cargo handling, operational excellence has been prioritised. One of the major process improvements made was changing the existing standard operating procedures ("SOP") to allow for berthing of vessels exceeding 70 metres in length but not more than 90 metres in the inner berths of the jetty. This has resulted in increased utilisation of the port's inner jetty and reduces waiting time for vessels at anchorage.

Presently, Tanjung Bruas Port has one jetty that accommodates small-to mid-sized, ocean-going vessels, not exceeding 170 metres in length and up to 20,000 Deadweight Tonnage capacity.

On a related note, continued efforts under the Take Costs Out initiative led to further cost reductions in FY2019. One of which was the usage of forklifts, which saw a 10% reduction. The stevedoring services also became more efficient with time required reduced from 4.5 days to 4 days towards the tail end of FY2019. This allows cargo to be moved faster, thereby increasing the turnaround time of vessels.

OUTLOOK AND PROSPECTS

Going forward, we foresee local tonnage, particularly for steam coal and steel coil shipment to increase. We draw confidence from the growing, large hinterland market from the surrounding regions, as well as from neighbouring Indonesia.

We also foresee continuous increase in container volumes. Nevertheless, the positive prospects are mitigated with challenges. More efforts are required, including addressing container yard limitations, development expenditures, obtaining necessary regulatory approvals and improving road safety.

In addition to tapping the many potentials, the strategic focus for Tanjung Bruas Port remains on upping its service levels, shortening ship turnaround time and improving port infrastructure.

One of the earmarked projects for FY2020 is to construct wider and deeper jetties, to accommodate larger Post Panamax vessels, with a 250-metre LOA. These projects will increase the appeal of Tanjung Bruas Port with more liners as the port can provide greater economies of scale to capture a bigger share of the growing market pie.

Other infrastructure works earmarked for FY2020 and beyond include construction of a RoRo jetty and customs, immigration and quarantine facility and reclamation of 30 acres of land for open storage and warehousing. Longer term plans include constructing a 170-metre trestle and further jetty extensions. Total earmarked CAPEX is RM160 million.

We are exploring strategic collaborations with third parties to optimise land usage located near Tanjung Bruas Port for cargo storage and warehousing activities.

We will also look to further tap synergy by offering transhipment services with other MMC Ports to generate higher cargo volumes, going forward. One of the key areas that we will continue to focus on is to target manufacturers in the surrounding areas, so that Tanjung Bruas Port can function as a transhipment port for transporting their containers to Port Klang and hence for onward shipping.

KONTENA NASIONAL BERHAD

In FY2019, Kontena Nasional Berhad ("Kontena Nasional") continued to implement its business turnaround plan, to downsize nationwide haulage operations and to grow profitable operations such as specialised transportation, freight forwarding and warehousing. Having successfully completed the turnaround plan in FY2019, both Kontena Nasional and its subsidiary Kontena Nasional Global Logistics Sdn Bhd ("KNGL") achieved greater operational efficiency.

Currently, Kontena Nasional is operating with approximately 200 prime movers focusing on specialised transport in Kuantan and Johor as well as regular haulage operations in Port Klang and Penang.

Kontena Nasional's present haulage and trucking fleet has been trimmed to almost half of the FY2018 fleet size. With the smaller equipment/fleet of 1,200 (prime mover and trailer), Kontena Nasional achieved a commendable throughput of about 70,000 TEUs, more than 85% of the volume handled in FY2018.

Despite revenue having decreased to RM69 million (FY2018: RM87 million) due to scaled down haulage operations, Kontena Nasional recorded a Profit Before Tax of RM45 million (FY2018: loss before tax of RM13 million). Profit was achieved on the back of dividend income received from its subsidiary and gains realised from disposal of assets.

KNGL also saw revenue decreasing in FY2019 to RM98 million (FY2018: RM117 million) while Gross Profit dipped to RM17 million (FY2018: RM21 million). Similarly, PBT decreased to RM3 million (FY2018: RM4 million).

The key strategies implemented during the year under review included driving sales from our Oil and Gas and Infrastructure sectors, as well as expanding services offered to the commercial sector. The continued implementation of cost reduction activities also contributed to a stronger bottom-line performance.

In supporting Group synergy, Kontena Nasional continued to bundle its services with MMC Port's services to provide competitive, one-stop logistics solutions for customers.

In FY2019, we remained aggressive in shedding costs, including rationalising our customers' portfolio in favour of higher yield customers. Other efforts made were resource rationalisation, monitoring of expenses related to vehicle maintenance and overall increase of productivity in the key business processes across our value chain. In FY2019, we disposed of four hectares of unused land and warehouse to the tune of RM37 million to Northport Distripark Sdn Bhd. Surplus assets and machinery amounting to RM5 million were also sold.

Another highlight was the reactivation of the land bridge at our Petaling Jaya warehouse. The reactivation supported additional services such as warehousing, customs clearance, container storage, lift-on and lift-off, rail freight and more. We foresee the reactivation to be advantageous as we look to secure new customers.

OUTLOOK AND PROSPECTS

Moving forward, the outlook appears most challenging, given the risk factors and uncertainties, which include the changing nature of Government procurement policies, continued market liberalisation and rising fuel costs. All of which may have a significant impact on logistics players.

In particular, the industry is currently experiencing an influx of smaller operators, including foreign companies that have started an aggressive price war to secure business. As such, margins are likely to continue declining amidst a reduction in freight jobs. Rising fuel prices, although beyond our control, also affect our cost and requires operations to become progressively more fuel-efficient.

On a positive note, there are still opportunities within the industry. Ongoing trade wars may open opportunities for Kontena Nasional. We will continue to work closely with our network of agents to obtain a slice of any increase in volume arising from the ongoing dispute. Having completed our turnaround, the focus now is to retain the hard-won business efficiencies and to build on the stronger base in order to remain competitive. We will continue to develop our long-standing brand, well regarded for over 40 years of industry excellence and quality.

PORTS AND LOGISTICS OUTLOOK AND PROSPECTS

As long as global trade continues to be on an uptrend, our ports stand to gain. However, we must remain vigilant of the rapid changes that can affect the industry. The consolidation of shipping lines and formation of alliances continue to alter the landscape in the shipping industry.

The growing trends of shipping lines offering integrated logistics and shipping services are also altering industry dynamics. Shipping lines' Intra-Asia services will have massive changes and adjustments due to low freight and high cost. We are also faced with stiff competition in securing major shipping lines from the Port of Singapore Authority ("PSA"), who has the full financial and economic support from its Government.

Technology is reshaping the industry for all players across the extended value chain. This includes both shipping lines, as well as ports and logistics operators.

The UN Conference on Trade and Development ("UNCTAD") envisages international maritime trade to expand at an average annual growth rate of 3.4% over the 2019 to 2024 period, driven particularly by the growth in containerised, dry bulk and gas cargoes. However, uncertainty remains an overriding theme in the current environment, with risks tilted to the downside.

We continue to monitor this development closely and foresee that our relationships with liners and customers will become increasingly vital in ensuring that our ports are maintained as the preferred choice over our competitors.

Though we have the inherent advantage of being strategically located in the middle of the East-West sea lane, reliance solely on geographic positioning is insufficient. Hence, we must continue to pursue our business and operational strategies to strengthen our value proposition.

We continue to stay abreast with industry changes and customers' evolving requirements. We will remain focused on enhancing our capacities, capabilities, efficiency and facilities through on-going long-term investments. These will entail the continued capital investments in assets, infrastructure, operating systems, new technologies, as well as upskilling and developing our people. The Group will also enhance its business model and develop the working relationships and synergies between ports. There is tremendous potential for ports to work together beyond enterprise resource planning.

MANAGEMENT DISCUSSION **AND ANALYSIS**

STRATEGIC PRIORITIES

The key strategic priorities for MMC's Ports and Logistics Division in FY2020 are as follows: Growing volumes through increased standardisation of services and operations, delivering better service levels to customers, expanding revenue and EBITDA while delivering improved cash flow and reducing gearing.

Specifically, we aim to enhance and rationalise our hub port status by promoting our transhipment hub (PTP), Intra-Asia hub (Northport) and gateway ports (Penang and Johor) as a single entity. The goal is to provide end-to-end logistics solutions, which can be realised through further technological adoption for equipment, system and infrastructure.

We will focus our efforts in attracting and retaining customers and by driving commercial and operational efficiencies. This will be achieved by improving our infrastructure and assets at ports, particularly to cater for Ultra Large Container Vessels ("ULCV"). This will require increased berth length and deeper draft levels at ports, as well as the latest generation cranes.

As mentioned, PTP has ordered eight units of the latest generation ULCV quay cranes and 10 units of twin lift RTG cranes. These will be operational by the third quarter of FY2020. With these additions, PTP will be able to increase its terminal handling capacities for ULCV to meet its customers' requirements.

Other future strategic efforts are to provide alternative locations for clients to discharge cargoes within the Group i.e. for urgent, out-of-window ship calls that can be diverted to the Group's other available ports.

We will also continue to target RDC set-ups to MNC/global manufacturers. Given our proven track record in attracting a wide range of international brand names, we are confident that MMC Ports can continue to entice more customers to choose its ports for their regional operations.

MMC Ports will persist in pursuing energy efficiency initiatives at all ports. We have achieved economies of scale by consolidating fuel purchases and will look into taking our efforts further.

Ongoing initiatives include the replacement of conventional RTGs with new hybrid RTGs, energy efficiency drives installed on the main equipment (quay cranes and RTGs), the implementation of a Sustainability Energy Management System ("SEMS"), use of Light-Emitting Diode ("LED") for High Masts at the Terminal and on the main equipment.

We are looking to further explore RE sources, including solar power, and will continue to adopt next generation, green technologies towards reducing overall energy costs, as well as our environmental footprint.

In addition, we will focus on developing the MMC Ports brand. MMC Ports was created as a platform to market our ports as a single group entity, rather than independently. While each of our ports possesses its inherent strengths and capabilities, the development of a cohesive, united brand provides a stronger resonance with customers and liners.

The MMC Ports brand emphasises synergy at all levels of the Group and enables more effective integrated value propositions to be developed to better meet market requirements. One of which is the Group Incentive Agreement, whereby the cumulative positive effect is then felt across all port operations.

In FY2020, we will strive to pursue such value accretive opportunities. However, our effort to derive synergy and to promote a cohesive MMC Ports brand must also be supported by technological and equipment investments, going forward.

With the right technology, agility in responding to clients' needs, efficient operations and a stronger brand, MMC Ports will continue to dominate the Malaysian market and have the opportunity to expand the brand globally.

POWERING THE NATION, ILLUMINATING A BRIGHTER FUTURE

Through Malakoff and Gas Malaysia, MMC's Energy and Utilities Division continues to meet the nation's energy needs, while embracing the opportunities of a liberalised market environment.

With a focus on renewable energy, we continue to drive socioeconomic progress and deliver a more sustainable future that offers brighter prospects.


Tanjung Bin Energy

ENERGY AND UTILITIES DIVISION

KEY STATISTICS

Details	FY2017	FY2018	FY2019
Total Effective Generation Capacity (MW)[1]	6,346	6,346	5,910
Total Length of Gas Pipeline in Operation (KM)	2,243	2,334	2,468
Revenue (Malakoff) (RM' million)	7,130	7,348	7,422
Profit Before Zakat and Taxation (Malakoff) (RM' million)	575	559	531
Profit After Zakat, Tax and Minority Interests (Malakoff) (RM' million)	296	274	320
Revenue (Gas Malaysia) (RM' million)	5,315	6,233	6,887
Profit Before Zakat and Taxation (Gas Malaysia) (RM' million)	215	234	242
Profit After Zakat, Tax and Minority Interests (Gas Malaysia) (RM' million)	161	180	190

Note 1 - Malakoff results for 2019 and 2018, as above, are the combination of the continuing and discontinued operations presented in its Audited Financial Statements for the year ended 31 December 2019.

MACRO-OPERATING ENVIRONMENT

MMC's Energy and Utilities Division comprises Malaysia's largest Independent Power Producer ("IPP"), Malakoff and total energy solutions provider, Gas Malaysia. In FY2019, both companies continued to meet the growing demands for electricity and gas respectively and successfully accomplished various business achievements and highlights.

The power generation sector's steady growth continued in FY2019, fuelled by increasing electricity and gas demand. Higher demand was driven by heightened economic activities and other factors such as population growth, urbanisation, industrialisation and infrastructure development.

Sales of electricity in Peninsular Malaysia increased on the back of a 2.7% demand growth, which was in tandem with the country's GDP growth of 4.3% for FY2019.

On the back of this growth and leveraging on its inherent strengths and business strategies, the Energy and Utilities Division continued to deliver an improved business and operational performance.

Beyond delivering stable recurring income for the Group, the division further bolstered the sustainability of its business model and solidified its position as Malaysia's leading IPP in terms of generation capacity and the nation's leading liquefied natural gas supplier.

BUSINESS AND OPERATIONAL PERFORMANCE

MALAKOFF CORPORATION BERHAD

Despite the volatile macroeconomic conditions and challenging business environment, Malakoff registered a satisfactory business and operational performance for FY2019.

Strategies pursued in FY2019 by Malakoff included a reassessment of the company's portfolio towards strategic opportunistic asset monetisation. Efforts were also focused on strengthening the balance sheet to provide sufficient headroom for future gearing, and to pursue value-accretive projects and acquisitions.

The aforementioned business strategies were supported by strong operational focus in ensuring optimum plant efficiency and operational reliability. Talent management and development, as well as stakeholder engagement were also key focus areas in FY2019.

Malakoff also forged strategic alliances with reputable partners to grow its business presence, improve operational efficiency, develop internal competencies and strengthen its business model. One of the biggest highlights for Malakoff was its continued expansion into the RE segment. Through its first Operations and Maintenance ("O&M") RE contract, Malakoff successfully commenced the commercial operations of the 29 megawatt ("MW") solar photovoltaic power plant, located in Kota Tinggi, Johor on 23 August 2019.

In January 2019, the Malaysian Government, through the Sustainable Energy Development Authority of Malaysia ("SEDA"), announced that our bid for the Government's Feed-in Tariff ("FiT") was successful to develop a 2.4 MW biogas plant.

Green Biogas Sdn Bhd ("GBSB"), a 60:40 joint venture with Concord Alliance Sdn Bhd, entered into a Renewable Energy Power Purchase Agreement ("REPPA") with Tenaga Nasional Berhad ("TNB") for the sale of energy generated from the project to TNB for a period of 21 years. Project development activities are currently on-going.

MANAGEMENT DISCUSSION **AND ANALYSIS**

Additionally, under the FiT exercise, subsidiary companies, namely Batu Bor Hidro Sdn Bhd and Lubuk Paku Hidro Sdn Bhd successfully secured SEDA quota for several small-scale hydro projects, located in Peninsular Malaysia. Both subsidiaries will enter into a REPPA with TNB with expected commencement within 60 months from the issuance of the FiT certificate by SEDA, anticipated by December 2024.

Malakoff disposed its entire 50% participating interest in the Macarthur Wind Farm ("Macarthur WF") located in Australia for a cash consideration of AUD344.67 million (RM976.53 million), enabling the Group to unlock the value of its investment.

One of Malakoff's major highlights was completing the acquisition of a 97.37% equity interest in Alam Flora.

The acquisition was completed on 5 December 2019 and with this, Malakoff is now able to realise its aspiration of developing a comprehensive waste management and environmental services portfolio. The acquisition will drive strategic business expansion into the Waste-to-Energy space, that provides for an additional recurring income stream and making further inroads into the RE sector.

Malakoff's conventional power plants in Malaysia, continued to meet all contractual requirements. Most plants outperformed their respective PPAs, dispatching a cumulative total of 37,652 GWh to the grid.

Plant Parameters (2019)	Availability YTD Actual (%)
SEV POWER PLANT	84.15
GB3 POWER PLANT	88.16
TANJUNG BIN POWER PLANT	81.54
TANJUNG BIN ENERGY POWER PLANT	72.28
PRAI POWER PLANT	91.72
KAPAR POWER PLANT	74.47

In FY2019, Malakoff posted a higher revenue of RM7.42 billion (FY2018: RM7.35 billion). Malakoff's domestic IPP operations remained the core contributor to its revenue and earnings in FY2019, notably from Tanjung Bin Power ("TBP") Power Plant, Tanjung Bin Energy ("TBE") Power Plant and SEV Power Plant. SEV registered higher energy payment in FY2019 in line with an increase in the dispatch factor.

TBE registered higher capacity income on the back of an increased dispatch factor and shorter plant forced outage periods.

The revenue also included a one-month contribution from the newly acquired subsidiary, Alam Flora as the acquisition was completed on 5 December 2019.

Malakoff posted a higher Profit After Zakat, Tax and Minority Interests ("PATMI") of RM320 million, 16.7% higher year-on-year (FY2018: RM274 million). Earnings growth was primarily attributed to the net effect of a one-off gain from the disposal of Malakoff Australia Pty Ltd ("MAPL"), which was completed on 18 December 2019.

Earnings, however, were partially offset by the net impairment loss on the carrying value of investment in an associate, namely Kapar Energy Ventures Sdn Bhd ("KEV").

GAS MALAYSIA BERHAD

Amidst a challenging business environment, Gas Malaysia performed commendably, meeting its strategic business objectives.

Gas Malaysia undertook various measures to reposition itself in the industry and take advantage of the emerging opportunities to ensure long-term sustainability of its business and increase shareholder value.

In FY2019, the total volume of gas sold was 201.2 million British Thermal Units ("MMBtu"), 7.35 million MMBtu, higher year-on-year. Tariff revisions on 1 January 2019 to RM32.92/MMBtu and on 15 July 2019 to RM34.66/MMBtu bolstered income level. Industrial customers, which accounted for approximately 99% of total gas volume sold remained the key driver for Gas Malaysia's sustainable growth.

On the back of additional gas sold, along with the revised tariffs, revenue was higher, year-on-year with topline performance reaching a new record high of RM6.88 billion (FY2018: RM6.23 billion). Underpinned by growing revenue, Profit Before Zakat and Taxation ("PBZT") was RM242.1 million, higher year-on-year (FY2018: RM234.1 million).

Operational highlights included the successful expansion of the Natural Gas Distribution System ("NGDS") by 134 kilometres, bringing the total gas pipeline in operation to 2,468 kilometres. The above results are partly supported by our Kinta Valley NGDS project in Perak. This is one of our key pipeline expansion projects and, during FY2019, we managed to construct about 117 kilometres of gas distribution pipeline network. This can be translated as 84% project completion in this area. We anticipate about 40 prospective customers to benefit from this project upon its completion in year 2020.

The NGDS network in Kinta Valley will cover areas such as Chemor, Meru, Ipoh, Lahat, Bemban, Seri Iskandar, Desa Seri, Bayu, Ayer Tawar, Bercham and Simpang Pulai

MANAGEMENT DISCUSSION **AND ANALYSIS**

	Industrial	Commercial	Residential
New customers	58	456	2,341
Total customers	933	2,328	32,909

Gas Malaysia is committed to achieving greater proximity to its valued customers throughout Peninsular Malaysia. As a result, over the years we have gained a wider regional presence and increased service levels by establishing three regional offices and nine branch offices. The new offices reflects our commitment to deliver high-quality services to customers and to truly realise our aspirations of serving the nation's needs for cleaner energy.

To further highlight Gas Malaysia's operational merits, in FY2019, it registered a lower System Average Interruption Duration Index ("SAIDI") of 0.1780 minutes of interruption per customer against the preceding year of 0.3299 minutes. The numbers achieved by Gas Malaysia are excellent by SAIDI standards, and are well below our targeted benchmark of under 1.5 minutes of interruption per customer.

Subsequently, our emergency response team also achieved an extremely good average response time, registering at 23.25 minutes. The response time depends on the distance from the incident site to the branch office.

In terms of strategic partnerships, Gas Malaysia inked an MoU with Tokyo Gas Co. Ltd. The agreement paves the way for strategic collaboration between both parties in the following areas; technical and commercial information exchange, collaborative investments in new projects, personnel exchange for educational and training purposes and other areas of mutual interests. The MoU also enables both parties to tap the inherent strengths of each other in pursuing opportunities arising from natural gas value chains in South East Asian countries.

Gas Malaysia's excellence was further recognised by the industry when it was awarded two prestigious awards under the Utilities Sector at The Edge Billion Ringgit Club Corporate Awards 2019 ceremony. The first award was for the *'Highest Return On Equity Over Three Years'* and the second award was for the *'Highest Growth In Profit After Tax Over Three Years'*.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OUTLOOK AND PROSPECTS

Demand for electricity and gas are expected to remain on the uptrend, in tandem with the nation's continued socio-economic growth. Increasing urbanisation, continued industrialisation and population growth further fuel the growing demand for energy.

The Energy and Utilities Division will continue to pursue its business strategies to provide a stable source of recurring income for MMC, going forward. The division will stay on its path to progressively transition to RE sources, consistent with the changing nature of the global energy industry.

Issues such as climate change, global warming, pollution and other concerns have led to a growing focus on cleaner and greener energy for the world. Across the world, from Governments, financiers and even energy consumers, there is a greater preference for RE.

While coal, combined cycle gas turbine and other fossil fuel fired power plants will remain as the mainstay for the next 5 to 10 years, the long-term energy needs of the world, including Malaysia will progressively and optimally be met by RE sources. This is a global movement and the division must be well prepared for the transition, in tandem with the evolution occurring across the energy sector.

Hence, RE or cleaner energy is the way to the future. Malakoff continues to embrace measures by the Government and the financial industry to facilitate green financing solutions for industry players to spur the growth of RE in Malaysia.

The Government has recently announced the awarding of 550 MW Large Scale Solar ("LSS") for Peninsular Malaysia and Sabah; as part of its existing target of generating 2,200 MW LSS for 2017-2020 and Net Energy Metering ("NEM") for private solar photovoltaic projects.

Malakoff's priority is to achieve a strategic balance between conventional power assets and our RE expansion. Its transition towards RE will be progressive and will yield positive earnings in future years.

Malakoff will continue to seek suitable RE opportunities which is being driven by new policies and incentives such as NEM, Green Investment Tax Allowance and Green Income Tax Exemption.

Going forward, Malakoff will continue to execute its strategic imperatives based on the following core pillars: Operational Excellence, Achieving Sustainable Growth and Strengthening Fundamentals.

Similarly, there will be a growing demand for natural gas as it remains one of the cleanest burning fossil fuels. Natural gas produces lesser carbon dioxide than other conventional fuels. According to the American Gas Association, natural gas emits 90,000 pounds of carbon dioxide per billion British Thermal Unit ("BTU") lesser than coal.

Hence, there is growing interest for natural gas application across a wide range of business sectors to meet energy requirements.

Gas Malaysia will continue to focus its resources in building more gas distribution pipelines, in a timely manner, to expand its geographical footprint across Peninsular Malaysia. It will propel Gas Malaysia to realise its business objectives and targets and to contribute both financial and non-financial values to MMC. We will continue to strengthen our subsidiary and joint venture entities to obtain greater revenue from non-core activities over the long term.

The year 2019 witnessed Gas Malaysia initiating efforts to meet the regulatory requirements of the Third Party Access ("TPA") framework. With the upcoming liberalisation of the industry in 2020, Gas Malaysia positively welcomes the implementation of the TPA system as we have historically supported good policies implemented by the Government. In response to the TPA, two wholly-owned subsidiaries have commenced operations, effective 1 January 2020. They are Gas Malaysia Distribution Sdn Bhd ("GMD") and Gas Malaysia Energy and Services Sdn Bhd ("GMES").

A key development during the year under review, was the fact that we have successfully obtained a 20-year distribution licence and 10-year shipping licence respectively for Gas Malaysia's wholly-owned subsidiaries; GMD and GMES.

The distribution licence will enable GMD to take up the role as a gas distributor; developing, operating and maintaining the gas distribution pipeline network as well as ensuring the safe delivery of gas to customers' premises. The shipping licence will enable GMES to make arrangements with a regasification, transportation or distribution licensee for gas to be processed or delivered via their facilities to consumers' premises.

Business strategies have already been formulated to ensure that we are poised for sustainable growth despite the possibility of competitors. By retaining a strong talent pool with the right aspiration, Gas Malaysia remains optimistic that it can continue to deliver a sterling performance despite being in a competitive business environment.

TRANSFORMING LANDSCAPES, BUILDING THE NATION

Exemplifying resilience and strength amidst change and challenge, MMC's Engineering Division, rises with the tide to deliver many of the nation's iconic engineering and infrastructure projects. The division stands tall on an enduring legacy of having significantly contributed to nation building and for continuing to reshape a better future for Malaysia and Malaysians.


HOTEL
HOTEL

MANAGEMENT DISCUSSION **AND ANALYSIS**

ENGINEERING DIVISION

KEY STATISTICS

	FY2017	FY2018	FY2019
Order Book (RM' million)	17,283	11,182	6,620.6
Revenue (RM' million)	1,265	1,892	1,422
Profit Before Tax (RM' million)	194	292	289

MACRO-OPERATING ENVIRONMENT

The Engineering Division remained sluggish in FY2019 due to the continued lack of spending on infrastructure projects by both the public and private sector. Industry growth was only 1.7% for the year under review with just 0.4% growth in the first half of FY2019. The public sector continued its policy of either scaling down, deferring or terminating altogether various projects. The private sector also held back on infrastructure developments in FY2019.

Contracts awarded during the year were generally projects that were previously committed to, albeit with reduced work scopes and consequently reduced project values. Industry competition intensified as more builders looked to secure projects from a shrinking market pie. Price became a key factor, which led to an erosion of project margins.

Having adapted to the challenging operating environment, the Engineering Division exhibited resilience in FY2019. Despite the lack of industry momentum and increasing competition, the division continued to secure several contracts while ensuring timely completion and steady progress on projects in hand and within budget.

As at 31 December 2019, the Engineering Division built its order book to RM6,620.6 million. This will keep the division busy for the next two to three years, going forward.

Contract awards comprised projects secured from companies within the Group as well as external tender bids won in FY2019. This was a direct result of the division's aggressive efforts in submitting for tender bids either on our own or via smart partnerships with other companies.

BUSINESS AND OPERATIONAL PERFORMANCE

The Engineering Division continues to strive for a greater balance between Government and private sector projects, notably in niche sectors, where it has a competitive advantage.

With better management of resources, day-to-day operational costs have reduced.

The division's management structure was streamlined towards enabling faster market response and business agility while being more closely aligned to the Group's strategic plan.

Gas Utilisation ("PGU") gas pipeline contract which is MMC's first pipeline project over the last 10 years. The contract award marked MMC's re-emergence as a major gas pipeline contractor in Malaysia.

The RM131.4 million pipeline project comprises of the NPS 36 pipeline and associated station works with a total length of approximately 33 kilometres stretching from the Kertih gas processing plant in Kemaman, Terengganu to Bukit Anak Dara Kijal in Kemaman.

ONGOING PROJECT PROGRESS IN FY2019

All ongoing projects have reached an advanced stage of completion, with some progressing ahead of schedule. The division is confident of completing all works within the respective stipulated periods.

KLANG VALLEY MASS RAPID TRANSIT ("KVMRT") SUNGAI BULOH-SERDANG-PUTRAJAYA LINE ("SSP LINE")

The work progress achieved for the SSP Line stood at 67% as at end December 2019.

Completed portion of works included controlled rock blasting at several underground stations. Six breakthroughs out of the total 16 tunnelling drives have been completed. There are 12 units of tunnel-boring machines ("TBMs") for the KVMRT SSP line.

The Phase 1 northern elevated section of the superstructure and track access, scheduled to be opened to the public by July 2021 was completed in FY2019. As at end December 2019, 11 out of the 48 trainsets had been delivered to the Sungai Buloh Depot.

The balance portions of the works will be the tunnelling works, the southern and Putrajaya elevated section superstructure, practical completion of all nine northern elevated section stations for Phase 1 and eventually the handover of all southern and Putrajaya elevated section stations. All works are on track for completion by end 2020.

We continue to expedite our work progress towards the full completion by mid-2022. Once ready, the full SSP Line will serve approximately two million people across Klang Valley.

he major highlights in FY2019 was the PETRONAS Peninsular

MANAGEMENT DISCUSSION **AND ANALYSIS**

LANGAT SEWERAGE PROJECT

The Langat Sewerage project is a major infrastructure endeavour that brings tremendous benefits to the nation. The project, which includes the state-of-the-art Langat Centralised Sewage Treatment Plant, water treatment facilities and the 105-kilometre sewerage pipeline, will ensure that discharged effluent water quality meets the Department of Environment's standards.

The project will also improve the water quality of the Langat River and will provide a new, long-term water source which is vital for urban development.

As at 31 December 2019, 84.76% of the underground sewage pipe network has been completed (89 kilometres out of 105 kilometres) and the project is on track for the testing stage by April 2020. In May 2019, the project was registered in the Malaysia Book of Records for having the longest curve drive of 725 metres for pipes of 1800 mm diameter in size. Another key highlight was the diversion of the first flow of sewage to the STP on 3 October 2019.

LANGAT 2 WATER TREATMENT PLANT

The Langat 2 Water Treatment Plant ("WTP") project has achieved project progress of 99%. The WTP, located in Hulu Langat, Selangor, has an abstraction and treatment capacity of 1,130 million litres per day ("MLD").

Effective 9 July 2019, raw water from Pahang has been channelled through the transfer tunnel into the plant for testing and commissioning purposes of Stream B of the WTP. The first 325 MLD of treated water was successfully injected into the reticulation system on 21 December 2019, marking the official operations of Stream B.

SUNGAI PULAI BRIDGE

The Sungai Pulai Bridge project achieved 25% progress and we continue to make headway in the construction of the 7.5 kilometres road and bridge. The bridge links the Port of Tanjung Pelepas to Tanjung Bin, stretching across Sungai Pulai.

The future connectivity of the bridge will significantly reduce travel time, and as such facilitates speedier movement of goods and people, which will deliver a strong economic multiplier effect to the surrounding areas.

NORTH BUTTERWORTH CONTAINER TERMINAL

The North Butterworth Container Terminal project achieved work progress of 71.6% with infrastructure works comprising of widening of the existing wharf, upgrading the crane rail, providing ancillary maintenance and engineering facilities at the terminal.

OUTLOOK AND PROSPECTS

While initial projections are of improved growth for the construction sector, the upside momentum may be derailed by various developments in macro-operating environment. These include the sudden crash in oil and gas prices, continued contractionary public expenditure policies, deferment of projects and lack of foreign and domestic investments.

Given that crude oil and gas revenues comprise a large part of the nation's income, it is likely that the policy of curtailed public sector expenditure may be continued as prices have plummeted to between USD25-USD30 per barrel (Brent)*.

We are encouraged however by the Government's affirmation to continue with large-scale infrastructure projects such as MRT2, LRT3 and the Pan Borneo Highway.

The Engineering Division will continue to focus on niche infrastructure projects: EPC gas pipelines, trenchless piping works for sewer and gas pipelines, rail transit solutions, water treatment plants, centralised sewer treatment plants and power transmission lines. We will participate in more selective open tenders and submit proposals for identified projects.

Our confidence in undertaking such projects stems from our proven track record for project construction and project management excellence, financial capability and the Group's capability to attract technology partners. Notably, the experience and expertise gained from our Langat projects holds us in good stead, going forward.

**As per Bank Negara Malaysia's Economic and Monetary Review and Financial Stability Review issued on April 3 2020.*

MANAGEMENT DISCUSSION **AND ANALYSIS**

We are of the view that our strong financial position, technological capabilities and exemplary track record in executing mega projects will deliver a competitive advantage in bidding for and securing contracts. More importantly, we are able to satisfy the exacting and demanding requirements of clients such as PETRONAS, Kementerian Air, Tanah dan Sumber Asli, Jabatan Perkhidmatan Pembetungan, Keretapi Tanah Melayu Berhad and others.

One key strategic difference that we wish to employ when exploring for opportunities is to be more proactive, rather than tender dependent. This is essentially taking the initiative to study the key infrastructure requirements that the public and private sector clients may require now and/or in the future. Subsequently, we will develop viable cost-effective, win-win solutions, and provide for long-term recurring income into our Engineering Division. The division will also explore project financing options to support the Government to undertake projects.

We will continue to discuss with several parties, including the Federal and State Government on the possibilities of implementing such projects for the benefit of all stakeholders, especially the *rakyat*.

Technology will also be the key driver as we look to deliver more technology-based solutions for rail systems, maintenance, repair and operations, ports equipment and others. We will continue to enhance the division's competencies and capabilities, especially in the niche wastewater and sewerage industries. One area we are looking at is trenchless pipe laying for sewer, water and gas systems. Beyond this, we will continue to collaborate with strategic partners to achieve technology and expertise transfer, bringing these innovations and knowledge to Malaysia.

The Engineering Division will explore business diversification – venturing into new sectors such as commercial buildings and hospitals by leveraging on new technologies such as the Industrialised Building System ("IBS"). IBS offers many benefits, including higher build consistency, reduced construction costs, less wastage and reduced manpower. IBS is a system that is highly encouraged for adoption by the Malaysian Government.

Business Model	Key Industries	Internal Priorities	External Priorities	Sustainability and Value Creation
Expand business model, from tender dependent to innovative proposal for long-term sustainable solution to clients	Continued focus on key industries: rail, gas pipelines, etc.	Cost efficiency for more competitive tenders Talent development and retention	Establishing more technological partnerships	Improve environmental and social performance of the division
Achieving balance between short-and long-term contracts	Expansion into new niche industries i.e. hospital construction, tapping Industrialised Building Systems, etc.	Increase tender bids in identified industries	Overseas expansion (ASEAN)	Focus on industries that directly address EES matters such as rail for urban regeneration and traffic congestions, wastewater for sanitation and others

Moving forward, the focus will be on the rail and wastewater business. Concurrently, environmentally sustainable practices will be a key prerequisite as we look to balance our business performance with environmental and social considerations.

Both of our focuses will contribute directly to our sustainability, especially in the urban environments. The provisions of efficient, affordable, reliable and safe rail systems are proven to reduce traffic congestion and pollution. Likewise, providing means for people to commute comfortably for work, play or everyday living are measures to enjoy better mobility and accessibility. Rail systems reduce vehicular traffic and can be powered by RE, going forward.

In a similar vein, focusing on the wastewater industry also drives sustainability, as sanitation is vital for urban development for safety and good health. All of which, are necessary for sustainable socio-economic development.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OTHER BUSINESSES

SENAI INTERNATIONAL AIRPORT

KEY STATISTICS

Details	FY2017	FY2018	FY2019
Passenger Movements	3,124,799	3,522,576	4,270,144
Cargo (metric tonnes)	7,613	9,691	14,694
Commercial/Scheduled	30,298	32,574	38,271
Non-Commercial/ Non-Scheduled (training, flying clubs, business jets)	16,199	19,456	20,064
Aircraft Movements	46,497	52,030	58,335
Revenue (Aero and non-Aero) (RM' million)	58.1	69.9	80.9
EBITDA (RM' million)	32.9	41.3	52.8

MACRO OPERATING ENVIRONMENT

Globally, the aviation sector maintained its growth trajectory on the back of increasing passenger travel and cargo movements, fuelled by the expansion of the tourism industry, increased trade and commerce and overall stability in travel security. Despite a slowdown in key economies such as China and India, air travel remained on the rise.

Consistent with global aviation trends, Malaysia recorded improved passenger travel and cargo movements across the country, buoyed by increasing tourism and economic activities. The positive performance came after a challenging period that saw the aviation sector adjusting to the imposition of lower Passenger Service Charges ("PSC") on outbound international passengers and the implementation of many other regulatory changes.

In FY2019, Senai International Airport continued to leverage on its inherent strengths and to optimise emerging industry opportunities. In doing so, it has maintained its growth trajectory, reflected across various financial, business and operational highlights.

Senai International Airport continues to exemplify excellence as an airport operator by contributing to the socio economic growth of Malaysia, particularly to the country's southern region, namely Johor state. By diligently implementing its set strategies effectively, as well as adapting and responding proactively to market trends, the airport's passenger movements surpassed the 4-million milestone in FY2019, a 21% expansion in passenger growth, year-on-year while cargo volume saw a 52% rise to 14,694 tonnes as compared to FY2018.

Senai International Airport remains one of Malaysia's fastest growing airports with a compounded annual growth rate ("CAGR") of 13% over the past five years in passenger growth. It is connected to 12 domestic and six international destinations with over 100 flights and 11,500 passengers daily.

SUSTAINABLE GROWTH BY LEVERAGING ON OUR STRENGTHS

In previous financial years, factors contributing to improved airport performance included the progress of the Iskandar Malaysia Special Economic Zone, which in FY2019, had accumulated investments totalling RM300 billion (as of the first half of 2019). Iskandar Malaysia was once again the fastest-growing economic region in all of Malaysia.

Located within Iskandar Malaysia, Senai International Airport's existence is strategic as the two complement one another. The airport continues to benefit from the ensuing spill over effects arising from growth within the Iskandar region. Similarly, in FY2019, the airport contributed significantly to Iskandar Malaysia by facilitating quick and convenient air travel to and from the Special Economic Zone and Johor.

Leveraging on Senai International Airport's strategic location, the airport management team worked to position the airport as an alternative regional destination, complementing other major air hubs especially for air cargo operations.

Management had further tapped on Senai International Airport's extensive airline partner network in FY2019 – encouraging airlines to increase existing flight frequencies or to add new routes. Specifically, to enhance connectivity to major cities in Malaysia, new destinations in South East Asia, China and South Korea.

Similarly, we leveraged on the close working relationships fostered with key Government stakeholders. These include Tourism Johor, Tourism Malaysia, Iskandar Regional Development Authority ("IRDA") and others.

Private sector players such as the hospitality and healthcare industry, theme park operators and retailers had also been tapped towards enhancing the value proposition of Senai International Airport. Cumulatively, our efforts in FY2019 were successful.

AERO BUSINESS: AIRCRAFT MOVEMENTS

About 80% of Senai International Airport's total passenger numbers are carried by AirAsia. In 2019, the carrier increased additional flight frequencies to several routes such as Kuala Lumpur, Penang, Kota Kinabalu and Bangkok.

In April 2019, Malindo Air launched its thrice weekly Johor Bahru-Guangzhou route, increasing the Guangzhou connectivity to 10 times weekly from Senai International Airport. In December 2019, local airline, Firefly introduced a Senai-Kota Bahru route with a thrice weekly frequency.

South Korean carrier, Jin Air maintained its Incheon route into 2020 and commenced its double daily flight frequency for the winter season.

AIRLINE	DESTINATION	NEW ROUTE OR INCREASE IN EXISTING ROUTE'S FREQUENCY
AirAsia	Johor Bahru-Bangkok	Increase in route frequency to 14 flights per week (from 4 per week)
	Johor Bahru-Kuala Lumpur	Increase in route frequency to 67 flights per week (from 38 per week)
	Johor Bahru-Penang	Increase in route frequency to 44 flights per week (from 28 per week)
	Johor Bahru-Kota Kinabalu	Increase in route frequency to 21 flights per week (from 14 per week)
Malindo Air	Johor Bahru-Guangzhou	New route. Three flights per week
	Johor Bahru-Subang	Increase in route frequency to 32 flights per week (from 28 per week)
Firefly	Johor Bahru-Kota Bharu	New route. Three flights per week
Jin Air	Johor Bahru-Incheon	Increase in route frequency to 14 flights per week (from 7 per week)

* As of December 2019

AERO BUSINESS: PASSENGER MOVEMENTS

Since 2014, Senai International Airport has registered double-digit passenger growth with a CAGR of 13%. The strong growth is mainly contributed by the dynamic development of Iskandar Malaysia since FY2014.

Passenger Movement	2017	2018	2019	Variance 2019 vs 2018 (%)
International Arrivals	74,764	119,190	115,096	-3%
International Departures	73,488	112,390	110,149	-2%
Total International Passengers	**148,252**	**231,580**	**225,245**	**-3%**
ASEAN Arrivals	147,189	184,430	208,915	13%
ASEAN Departures	148,742	191,300	211,262	10%
Total ASEAN Passengers	**295,931**	**375,730**	**420,177**	**12%**
Domestic Arrivals	1,318,242	1,437,556	1,779,686	24%
Domestic Departures	1,362,374	1,477,719	1,845,036	25%
Total Domestic Passengers	**2,680,616**	**2,915,266**	**3,624,722**	**24%**
Total Passengers Movements	**3,124,799**	**3,522,576**	**4,270,144**	**21%**

MANAGEMENT DISCUSSION **AND ANALYSIS**

In FY2019, Senai International Airport handled 4.27 million passengers, 21% higher than 2018's 3.52 million passengers.

The state of Johor is fast becoming a preferred destination for East Asian travellers, notably tourists from China and South Korea. This was a notable development as Senai International Airport is able to capture a slice of this growing market.

AERO BUSINESS: CARGO SEGMENT

Senai International Airport's total cargo volume handled increased by a hefty 52% to 14,694 metric tonnes ("MT"), a sizeable improvement year-on-year.

The oil and gas cargo segment saw a 62% increase with the airport doubling its movement of goods to 3,677 MT in FY2019. This was the highest growth in cargo for Senai International Airport and was attributed to charter flights transporting heavy machinery parts and oil and gas equipment to Indonesia and Azerbaijan. There was also an increase in garments and fabrics cargo transported from Guangzhou and Saigon by AirAsia.

Cargo Tonnage (Tonnes)	2017	2018	2019	Variance 2019 vs 2018
Inbound	4,399	5,232	7,467	43%
Outbound	3,214	4,459	7,227	62%
Total Cargo Movements	**7,613**	**9,691**	**14,694**	**52%**

NON-AERO BUSINESS

Senai International Airport continues to pursue revenue diversification by growing its non-aero businesses, in particular its retail and advertising opportunities.

A wide range of strategies and incentives have been implemented to attract renowned local and international retailers as well as Food and Beverage ("F&B") operators to establish their brand presence at the airport. These include food and beverage chains, new duty-free shops with additional selection of perfumes and cosmetics, and many more.

In FY2019, four new brands were introduced namely Rotiboy, Kuu Kopitiam, AGift and LuLaLa Local Food Sweet House.

Senai International Airport has gradually been imposing revenue sharing agreement on new retailers and upon renewal of existing retailers since FY2017. An electronic Point-Of-Sale ("POS") system is being placed at all retailers. Both measures are aimed at ensuring a more constant revenue stream for Senai International Airport as well as more accurate monitoring of retailers' sales.

Senai International Airport has further grown its non-aero revenue by self-managing a portion of advertising media within the airport. This has generated an additional revenue for the company.

Beyond tapping the airport community, airport management continued to reposition Senai International Airport as a go-to destination for Johoreans, particularly the business community with several trade events held on the premises. One such highlight was the Malaysia's Commodities Expo organised from 24 to 25 June 2019.

MANAGEMENT DISCUSSION **AND ANALYSIS**

KERTIH AIRPORT OPERATIONS

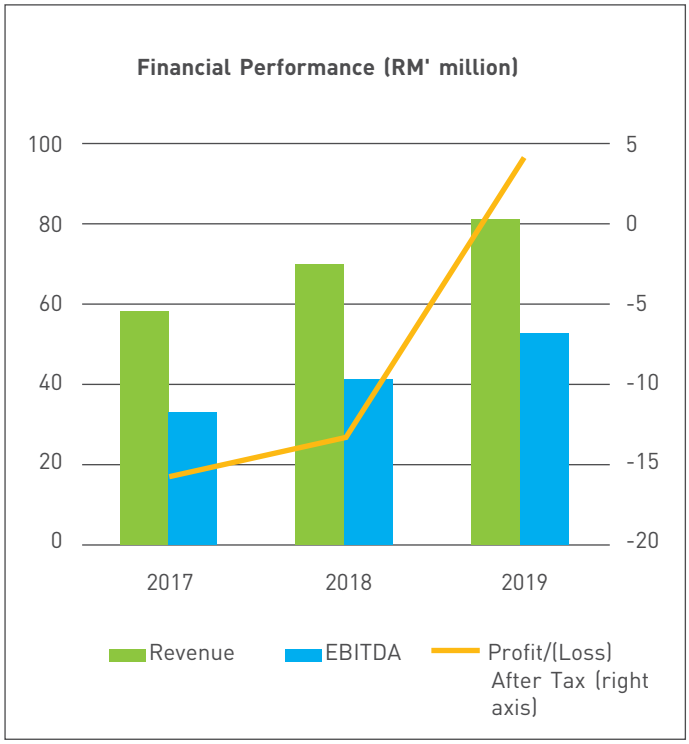
In January 2019, Senai International Airport expanded its portfolio by entering into a three-year contract with Sanzbury Stead Sdn Bhd ("Sanzbury Stead"), a subsidiary of PETRONAS, to provide operations and maintenance services at Kertih Airport.

This was a significant achievement as it attests to the airport management's proven capabilities in management and operations as well as maintaining an excellent health, safety and environmental performance.

Throughout the year, our team provided the necessary management expertise and technical support to deliver greater efficiency, cost effectiveness and to improve HSE performance at Kertih Airport. One of the key focus areas in FY2019 was developing a benchmark standard asset maintenance programme that would enable Kertih Airport to optimise its operational cost.

FINANCIAL PERFORMANCE

We are happy to report that both aeronautical and non-aeronautical revenue posted an improved performance. The former registered a 22% improvement to RM58 million (FY2018: RM48 million) while the latter improved to RM23 million, a 5% increase year-on-year (FY2018: RM22 million).



Senai International Airport recorded an Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of approximately RM53 million for FY2019 (FY2018: RM41 million), attributed to the increase in passenger and cargo volume. Profit After Tax ("PAT") was approximately RM4 million, which marks the airport's return to the black.

OUTLOOK AND PROSPECTS

Initial projections of higher passenger growth for Asia Pacific and Malaysia are likely to be affected by the Covid-19 pandemic. Air travel has been restricted or stopped completely across the region as well as globally.

The aviation sector has been severely impacted and with reduced passenger volumes and flights, airports will be affected. The situation is compounded given that Senai International Airport receives a large number of passenger traffic from East Asia and South East Asia, both regions that have been highly affected by Covid-19.

Covid-19 is not the only factor as the aviation industry continues to face other issues such as continued global trade wars, possible changes in Government policies and regulations, acts of terrorism, reduced tourism and more.

However, we draw strength and confidence that the effects of Covid-19, severe as they are, are only momentary. Economic fundamentals across Asia Pacific and the aviation industry as a whole remains robust.

The measures taken by nations across the world will ultimately eliminate Covid-19 and progressively, conditions will return to normal.

The rise of medical tourism will continue to attract travellers, especially from Indonesia, Singapore and other parts of South East Asia.

We also draw optimism from the Iskandar Malaysia Comprehensive Development Plan II ("CDPII"), which projects GDP from economic activity to reach RM120.4 billion by 2025, with an annual 7.3% growth rate for the next five to six years.

The multiplier effect of such development over several years will certainly contribute to increase demand for air travel and cargo transport. Senai International Airport is best positioned to meet this need.

However, we are not merely relying on market forces to drive business and operational growth. Senai International Airport has identified clear strategic priorities towards leveraging on the promising yet challenging outlook. There are still plenty of issues prevailing within the industry, that we must be vigilant of, to address effectively to maintain our growth momentum.

MANAGEMENT DISCUSSION **AND ANALYSIS**

Senai International Airport will continue targeting opportunities that are compatible with its overall business strategy. This includes collaborating with potential and existing business partners to explore new ideas to generate higher and more variable revenue streams.

Strategic Priorities	Linkage to Opportunities or Threats	Tactical Initiatives
Promote Johor as a Tourism and Healthcare Hub and Malaysia's rising southern epicentre for business and trade	To continue working concertedly with stakeholders to develop a strong eco-system that provides for a seamless and enhanced experience from start-to-end for medical tourists and general tourists	Working closely with the state Government and other authority bodies mainly Tourism Johor to jointly set up marketing funds to collectively promote the state
Increase our airline network community as well as routes and flight frequencies	To further enhance the connectivity of Senai International Airport to entice more passengers as well as cargo players to the airport	Establish connections with new airlines, cargo operators and freight forwarders within the region to start operations in Senai Airport Promote Senai Airport Aviation Park as the emerging MRO hub in the region
Promote Senai International Airport as an alternative cargo hub	Cost is a key consideration in enhancing our competitive ability to compete with other airports both in Malaysia and abroad. This is especially evident in capturing a growing slice of the cargo and MRO segments	Following successful promotion of Senai International Airport as an alternative air cargo hub, which managed to increase the airport's oil & gas cargo volume by 62% from 2,263 tonnes in FY2018 to 3,677 tonnes in FY2019, Senai International Airport will double the efforts to allocate more resources in its execution
Costs rationalisation and optimisation programmes		On the costing side, Senai International Airport would continue to spend prudently for additional cost savings, which include amongst others the following: i) Change of lighting system to encourage wider utilisation of the cost savings LED bulbs ii) To ensure power and water resources are in use only when there is a necessity iii) Continuous budget optimisation for CAPEX and OPEX e.g. by arranging for more in-house trainings rather than the external ones
Identification of key value creation capitals such as passenger and cargo volumes, aircraft movements and others, as well as development of strategies to bolster the performance of these capitals	This entails providing air transportation/cargo services based on understanding of individual customer's needs with ever-increasing speed and precision	Senai International Airport to monitor the changes of industry landscape from time to time and will recommend new initiatives in response to the situation

MANAGEMENT DISCUSSION **AND ANALYSIS**

ALIRAN IHSAN RESOURCES BERHAD

MACRO-OPERATING ENVIRONMENT

Aliran Ihsan Resources Berhad ("AIR Berhad") is a water and wastewater treatment specialist company, focusing on municipal water works, industrial wastewater & recycling solutions and other ancillary water business such as non-revenue water ("NRW") management.

In FY2019, as Malaysia continued to face a wide range of water-related challenges such as frequent supply disruptions, drought, lower reserve margins and rapidly increasing demands, AIR Berhad continued to play a significant role in promoting greater sustainability for the water and wastewater industry while indirectly contributing to improved water security for clients.

AIR Berhad has continued to bolster its reputation as a leading water operator of choice for municipal and industrial water and wastewater in Malaysia. We have made further inroads into the industrial market segment, as evident from the various business and operational highlights achieved during the year. Despite operating in a highly competitive segment of the industry, AIR Berhad secured RM45 million in total contract value in FY2019.

In ensuring the NRW project's success, we have recruited additional NRW talents to augment our existing workforce. AIR Berhad's present NRW team comprises 10 energetic, experienced talents. Aside from ensuring excellent management of the Johor Port NRW Project, the expanded team strengthens AIR Berhad's ability to secure and execute future NRW projects.

Tapping innovative solutions and creative business models, AIR Berhad has continued to make inroads into the highly competitive private sector water and wastewater treatment segment. Since operating our first recycling plant in 2016, we have progressively gained the trust of our clients and have positioned the company as a top-notch and reliable industry service provider.

To date, AIR Berhad has produced up to 13.7 million litres per day ("MLD") of treated water for water treatment and recycling with the latest projects awarded by Sunway REM Sdn Bhd and QSR Bandar Tenggara.

Via its wholly-owned subsidiary, Aliran Utara Sdn Bhd ("AUSB"), AIR Berhad has been successful in retaining its Operation and Maintenance ("O&M") contract for three consecutive operating period until 31 October 2020; a total of nine years for the operations and maintenance for two Water Treatment Plant ("WTP") in the state of Perak. Both plants continue to show improvements in the capacity of treated water produced and supplied.

Contract Award / Project	Description	Contract Value & Tenure
NRW reduction project awarded by Johor Port	To reduce the percentage of water losses in Johor Port	Contract Value: RM3 million Tenure: 1 April 2019 to 31 March 2020
Two packages WTP awarded by Syarikat Air Melaka Berhad	1. 200 cubic metre (m^3)/day Emergency Potable Water Treatment Plant using Low Pressure Submerged Ultrafiltration 2. 500 m^3/day Seawater Reverse Osmosis Potable Water Treatment Plant	Both systems were installed to produce treated water supply with combined capacity of 700 m^3/day
Seagate International (Johor) Sdn Bhd	Wastewater recycling plant. From treated wastewater to potable water	Build Own Operate Plant with contract tenure for 10 years and production capacity of 1,400 m^3/day
Care Glove Group Phase 2 ("CGG")	Continuation of the successful delivery of CGG Phase 1 project, CGG Phase 2 commenced operation in October 2019, providing better water quality and treatment upgrade to support the client's production expansion (from 1 MLD to 2 MLD)	1,000 m^3/day for 10 years
Project from QSR Berhad	Country's first Shariah-compliant water recycling plant launched in February 2019	Build Operate Transfer Plant with contract tenure for 13 years and production capacity of 1,300 m^3/day

One of the significant achievements for AIR Berhad was its successful foray into the NRW segment via its project award from Johor Port. As at 31 December 2019, the company has significantly reduced water losses in Johor Port. The Johor Port NRW project is a game-changer as it enables AIR Berhad to showcase its capabilities in successfully undertaking NRW projects.

We have consistently met the key performance indicators ("KPIs") set by the industry regulator, Suruhanjaya Perkhidmatan Air Negara ("SPAN") in terms of the water quality (i.e. turbidity, colour, pH, ammonia, lead, fluoride content, etc) and in fulfilling the quantity of treated water supplied.

Our commitment to ensure more efficient plant operations is evident by our efforts in replacing 18 units of water pumps in the Gunung Semanggol WTP, Perak. The pumps replacement works are expected to be completed by the first half of FY2020.

MANAGEMENT DISCUSSION **AND ANALYSIS**

On 4 April 2019, AUSB was conferred the double Grade 'AA' award by SPAN for its maintenance and operations of the Kampung Senawar WTP in Kuala Kangsar, Perak. This is an affirmation of our overall efforts in managing operations at the Kampung Senawar WTP. It is a clear recognition of overall upkeep and cleanliness of the plant, good safety practices implemented and continued high levels of compliance for drinking water quality index in line with the Ministry of Health's and international standards. The award is perhaps more telling given that only three plants were selected as Grade A plants in Malaysia.

On the back of these and other operational achievements, AIR Berhad in FY2019, delivered a fair financial performance in revenue and earnings contributions to the Group. Revenue was RM27 million, 6% higher year-on-year (FY2018: RM25 million) while PBT was RM5 million, 20% lower year-on-year (FY2018: RM6 million) mainly due to reduced earnings margins from projects in FY2019 as compared to last year.

OUTLOOK AND PROSPECTS

We draw confidence that the progress made in FY2019 will hold AIR Berhad in good stead going forward. However, operating conditions are foreseen to remain challenging amidst a price sensitive market as customers look to trim costs while expecting benchmark performance and high service levels. Despite high NRW levels and a growing requirement for WTPs and water recycling for non-potable use, potential customers continue to express caution in investing.

Our business model continues to evolve to provide total solutions for customers' requirements. This includes undertaking upgrading works for their existing treatment plants or constructing new treatment plants and providing financing options to ease their cashflow and capital constraints. We will also continue to highlight the many benefits of upgrades such as improved regulatory compliance to avoid being fined or censured by the Department of Environment.

With price sensitivity comes thinning of margins exacerbated by the continued non-increase of the water tariff. AIR Berhad is exploring all avenues to optimise its operational cost. Cost optimisation strategic plans may entail re-engineering existing business and operational processes towards yielding greater efficiency or investing in minor CAPEX to reduce operational cost. For example, replacing the old pumps to reduce electricity consumption.

We will continue to position ourselves as a water operator of choice for municipal and industrial water and wastewater in Malaysia. This will be achieved on our three-pronged approach. These are finding new and innovative solutions to alleviate Malaysia's water and wastewater challenges, developing strategic partnerships with OEM product manufacturers and to continue engaging policy makers and stakeholders to promote a more sustainable industry, particularly in encouraging wastewater recycling in Malaysia.

Beyond this, our strategic priorities are to secure more municipal water plant contracts from state Governments for O&M contracts that are nearing the expiry of their concession periods. We will also source for additional industrial water and wastewater projects, especially in states, which are more prone to environmental issues. Leveraging on our performance and track record with Johor Port, we will actively pursue more NRW projects within the country in line with our aspirations to be a leading NRW specialist in Malaysia.

SYARIKAT MENGURUS AIR BANJIR & TEROWONG SDN BHD

Syarikat Mengurus Air Banjir & Terowong Sdn Bhd ("SMART") continues with its tunnel operations towards maintaining smooth, efficient operations and traffic flow.

Despite the increasing availability of public transport in the vicinity of the SMART tunnel, there was a steady increase in traffic volume in FY2019. In FY2019, traffic growth was 8% higher year-on-year (regular Monday to Friday traffic), equivalent to an average of 28,627 vehicles per day ("VPD") (FY2018: 26,516 average VPD), giving a total of 9.1 million vehicles for FY2019 (FY2018: 8.2 million).

On the back of higher traffic volume, SMART posted a revenue of RM36 million with its loss after tax reducing by 33% to a smaller deficit of RM4 million (FY2018: RM6 million). We are confident that despite the various challenges faced, through our various strategies implemented we will continue to make steady financial progress.

Towards achieving profitability, SMART continued with various cost rationalisation strategies, which have yielded targeted savings of 10% in maintenance costs. Other key cost-saving measures undertaken were prioritisation of maintenance activities based on the criticality of assets.

A key highlight was the adoption of the radio frequency identification tag ("RFID") for toll payments. As at 31 December 2019, more than 235,180 toll payment transactions were performed via the RFID system. This is a significant increase year-on-year (FY2018: 8,989 transactions).

The numerous initiatives undertaken such as additional road signs and social media announcements have contributed to improving the traffic volume and ensuring that tunnel operations remain well coordinated with relevant stakeholders.

Going forward, we foresee that with a sustained passenger vehicles growth, especially in Kuala Lumpur and the growth of the capital city in terms of business activities and game-changing developments such as Tun Razak Exchange ("TRX"), vehicular traffic traversing via SMART is expected to increase proportionally. In particular, we look forward to the completion of the direct connection between the TRX development to the SMART Tunnel alignment in FY2021.

Management's strategic priorities would be to continue costs optimisation activities, maintain operational and HSE excellence, minimise congestion within the 4 kilometres motorway portion of the tunnel and to maintain existing efforts towards achieving improved financial performance. We will continue to collaborate with the surrounding developments to secure higher traffic volume.

STRATEGICALLY POSITIONED INDUSTRIAL DEVELOPMENTS

A leading master developer for three industrial developments totalling approximately 5,000 acres, namely Senai Airport City ("SAC"), Tanjung Bin Petrochemical & Maritime Industrial Centre ("TBPMIC") and Northern Technocity ("NTC").

All developments are strategically located with connectivity to maritime ports via a network of highways, complete with ready platforms and utility infrastructure within a mature industrial ecosystem in Iskandar Region, Johor and Kulim Hi-Tech Park, Kedah.

INDUSTRIAL DEVELOPMENT

MACRO-OPERATING ENVIRONMENT

In FY2019, the local property market continued to experience a downturn, exacerbated by moderating economic growth and cautious investors' sentiment. Competition remained stiff amongst the local and foreign industrial developers operating within the segment.

At the same time, various issues, such as insufficient financing, changes in Government regulations, as well as lack of stimulus from the Government cumulatively led to lower demand for industrial properties, especially among the small and medium-sized businesses.

Despite the challenging scenario, MMC continued to leverage on its strategies and remained aggressive in promoting its landbank and properties. With this, our Industrial Development Division successfully achieved its sales target for FY2019.

Our Johor landbank, which consists of Senai Airport City and Tanjung Bin Petrochemical and Maritime Industrial Centre ("TBPMIC") continued to benefit from the injection of investments and development activities in Iskandar Malaysia. In the first half of 2019, Iskandar Malaysia secured committed investments of RM16.75 billion, adding to the RM302.09 billion total cumulative committed investments from 2006 till June 2019.

Around 47% of investments came from the manufacturing sector while 53% came from the services and other sectors.

In FY2019, the Industrial Development Division recorded total sales of approximately 19 acres of land in the Senai Airport City. The revenue from the said sales will only be recognised in the following financial year upon fulfilment of the condition precedents.

Another achievement during FY2019 was the completion of the Free Zone Area of approximately 400 acres. Overall, the Industrial Development Division achieved a positive year of significant progress and growth, which augurs well for its prospects going forward.

BUSINESS AND OPERATIONAL PERFORMANCE

MMC's Industrial Development Division current industrial hubs are the Senai Airport City (2,718 acres), TBPMIC (2,255 acres) and Northern Technocity, Kulim, Kedah (354 acres). Cumulatively, the division's landbank measures over 5,000 acres with a gross development value exceeding RM8.3 billion.

Our landbank is located strategically with excellent accessibility via a network of highways, airports and maritime ports. The landbank also comprises the Senai Airport City's Free Industrial Zone ("FIZ") and Free Commercial Zone ("FCZ"). Hence, investors generaly benefit from a wide range of taxes and other incentives accorded by both the Federal and State Governments, as well as ready infrastructure and utilities.

Being part of the MMC, the division has the ability to leverage on the Group's synergy to offer a complete value chain of airports, ports and logistics services to investors.

Essentially, Senai Airport City caters to niche sectors and industries, such as high-tech manufacturing, research and development, aerospace, Maintenance, Repair and Overhaul ("MRO"), logistics and mixed developments.

Throughout 2019, the division was proactive in implementing its strategies to overcome the effects of the sluggish business environment. We amplified our efforts by targeting various large-scale manufacturers looking to relocate to a more modernised industrial park . We also formed various collaborations with strategic partners to undertake joint-venture developments and promotional activities. In FY2019, we established several working partnerships with I-Park, EcoWorld and other developers for possible business opportunities.

We collaborated closely with the Federal and State Governments to drive new investments and facilitate existing investors' expansion. We also engaged directly with various chambers of commerce, local councils and other business associations within Johor and Kedah.

Our sales and marketing team was provided extensive training throughout FY2019 to enable them to better convey our value proposition to prospective buyers in securing investments. We also focused on preparing platform ready parcels to cater for 'immediate move-in' requests and to complete infrastructure works on time and within budget.

Cumulatively, the aforementioned strategic efforts have yielded positive results across our landbank. At the Senai Airport City, approximately 52% of land in Phase 1 was successfully sold.

Senai Airport City is currently embarking on the expansion of its Free Zone and development of its Non-Free Zone areas. The expansion will equip Senai Airport City with a levelled platform as well as ready infrastructure and utility lines.

Pertaining to Northern Technocity in Kulim Hi-Tech Park, the final masterplan was approved by the local council on 17 December 2019. The development of approximately 350 acres are located next to Kulim Hi-Tech Park comprising industrial, commercial and residential components.

At TBPMIC, works on the 7.2 kilometres navigational bridge that spans across Sungai Pulai, connecting Gelang Patah to Tanjung Bin is progressing well. The bridge will provide direct access to TBPMIC from PTP, thereby shortening travel time by 15 minutes from the current land route, which takes about an hour.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OUTLOOK AND PROSPECTS

Going forward, we foresee operating conditions to remain challenging, given that the property market remains languid with no sight of recovery in the near term.

Changes in regulatory policies, lack of stimulus to the overall industrial real estate sector and cautious investors' sentiment are expected to persist in the near term. Foreign investors are wary as Malaysia is being compared with other regional alternatives. Competition is expected to intensify among industrial developers, as the overall market remains a buyers' market.

However, despite the general sluggish prospects going forward, pockets of opportunities remain, given the strategic location of our landbanks in Johor and Kedah. This includes the Senai Airport City, which will continue to benefit from the spill over effects of the economic development and investments into Iskandar Malaysia. Iskandar Regional Development Authority has reported that the economic region's five-year CAGR up to FY2019 stood at 9.7%, more than double of Malaysia's GDP growth rate of 4.3%.

STRATEGIC PRIORITIES

Our key strategic priority will be sourcing for more value accretive investments, particularly from multinational companies operating within the hi-tech manufacturing and logistics segments. This target segment will be a catalyst to attract downstream industries to populate our industrial parks.

It is imperative that we continue to offer attractive value propositions to prospective investors. This include commercial perspectives, as well as to aggressively market our landbank to local and international investors.

Price points and overall upfront cost of investment will be the determinant factors in convincing potential investors. Hence, the division shall focus on enhancing the commercial perspective of our landbank and its overall value proposition, including location, infrastructure, flexibility in options of land sizes and the surrounding eco-system.

We will continue to invest in infrastructure by providing necessary utilities and other essentials such as power, water, natural gas supply and telecommunication infrastructure.

We will employ aggressive marketing plans to unlock the value of our large landbank, which will contribute to the division's earnings over the next five to 10 years. Where beneficial, we will establish strategic partnerships with other developers for mutually favourable outcomes.

We draw a measure of confidence from our Senai Airport City landbank. The expansion of the Free Zone and Development of Non-Free Zone areas are anticipated to attract foreign and domestic investments that will create employment, develop the downstream supply chain and provide more business opportunities for local communities.

With regards to our Northern Technocity landbank, we will begin with the necessary earthworks to address the nature of the existing terrain based on the approved master plan. This may incur considerable upfront development costs but is necessary to deliver the intended design platform levels.

Based on market research and close engagement with the industry, management will adopt a flexible development layout i.e. allowing for amalgamation or subdivision in accordance with investors' requirements. We will explore ways to pare down development cost to make prices more competitive to investors.

We will also continue to employ aggressive marketing strategies, emphasising our identified target customers and industries, to woo investors, increase take up rates and unlock project value, while monitoring developments in the property industry and other competing projects within the vicinity.

CORPORATE EVENTS

JANUARY

9 January
Gas Malaysia Berhad (Gas Malaysia) organised a Health, Safety, Environment and Quality (HSEQ) Dialogue with contractors

29 January
MMC Pembetungan Langat Sdn Bhd (MMC PLSB) celebrated the company's 9 Million Man-Hours without Lost Time Injury (LTI) which has been recorded since the Langat Sewerage Project started in 2015

FEBRUARY

11 February
Teknik Janakuasa Sdn Bhd, a wholly owned subsidiary of Malakoff Corporation Berhad (Malakoff), signed a Memorandum of Understanding (MoU) with the Centre for Power Electrical Engineering Studies of the Universiti Teknologi Mara for future collaborations on research and innovation

11 February
Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) hosted a working visit delegation from the Immigration Department of Malaysia (IDM) led by the Director General of IDM

12 February
PTP sealed an agreement with Ramco Systems Limited for the upgrading of PTP's current Enterprise Resource Planning (ERP) system

12 February
Johor Port Berhad (Johor Port) received two new Rubber-Tyred Gantries (RTGs) to boost its container handling capacity and improve the Yard efficiency in the Container Terminal

19 February
Northport (Malaysia) Bhd (Northport) signed a MoU with Sojitz (Malaysia) Sdn Bhd and NL Cold Chain Network (M) Sdn Bhd to establish Malaysia Japan *Halal* Value Chain initiative

20 February
Aliran Ihsan Resources Berhad (AIR Berhad) unveiled a *halal* compliant water recycling plant and an upgraded Wastewater Treatment Plant for Ayamas Food Corporation Sdn Bhd in Port Klang, Selangor

23 February
Senai Airport Terminal Services Sdn Bhd (Senai International Airport) organised the Under One Roof Badminton Tournament 2019 for the airport community

24 February
Penang Port Sdn Bhd (Penang Port) and Suruhanjaya Pelabuhan Pulau Pinang jointly hosted the ASEAN Ports Association Malaysia (MAPA) Mini Marathon 2019

26 February
Gas Malaysia received a working visit from the Energy Commission

26 February
Tanjung Bin New Coal Unloading Jetty, wholly owned by Malakoff, celebrated an achievement of clocking 1 Million Safe Man-Hours without LTI

28 February
PTP became the first port in Malaysia to welcome the latest and most advanced 80 tonnes tugboats named Kejora PTP 81 and Kejora PTP 82 into its port operations

28 February
MMC PLSB organised a media familiarisation visit to Langat Sewerage Project site office as part of their media engagement programme

MARCH

4 March
Senai International Airport received a courtesy visit from YB Liow Cai Tung, Chairman of Johor Women Development and Tourism Committee

6 March
Northport and Perusahaan Otomobil Nasional Sdn Bhd (Proton) formed a collaboration through the signing of strategic collaboration and services agreement

14 March
Johor Port through JP Skills Centre (JPSC) clinched the Excellence in Ports and Terminal Training/Education Award during the Global Port Forum Awards 2019

15 March
Malakoff organised a friendly football match with the Energy Commission

16 March
Northport organised Northport Bowling Challenge 2019 for its customers and business partners

18 March
Penang Port signed a corruption-free pledge with Malaysian Anti-Corruption Commission (MACC)

23 March
Northport participated in the Selangor Education Tour 2019 officiated by the Menteri Besar of Selangor

29 March
Northport organised a CEO session with its strategic stakeholders, including contractors, vendors and service providers

CORPORATE **EVENTS**

APRIL

2 April
Johor Port organised a high tea session with its customers as part of its stakeholder's engangement initiative

2 April
Northport strengthened ties with its customers and strategic stakeholders through a shooting training programme with His Royal Highness Tengku Amir Shah ibni Sultan Sharafuddin Idris Shah, the Crown Prince of Selangor

3 April
First flight commenced from Senai International Airport to Guangzhou, China by Malindo Air

3-6 April
AIR Berhad participated in the Malaysia International Halal Showcase (MIHAS) 2019 under the High Technology exhibition

4 April
SPT Services Sdn Bhd a subsidiary of Johor Port welcomed the MTT Kucing Dua, the first vessel to call at the Solid Product Terminal Jetty in Pengerang, Johor

5 April
MMC Gamuda KVMRT (T) Sdn Bhd received multiple awards during the annual International Safety Awards Gala Dinner namely the International Safety Award (with Distinction), Best in Country Award and Sector Award under the Construction and Property Activities category

7 April
MMC Corporation Berhad (MMC Group) received a special honour and recognition for contributing to the growth of Politeknik in Malaysia and the Technical and Vocational Education and Training (TVET) field in Malaysia

17 April
Langat 2 Water Treatment Plant project by MMC Engineering Sdn Bhd (MMC Engineering) celebrated 12 Million Man-Hours without LTI

18 April
Johor Port received an inaugural official working visit from YB Anthony Loke, Minister of Transport Malaysia

18 April
Senai International Airport received an inaugural official working visit from the Ministry of Transport delegation led by YB Anthony Loke, Minister of Transport Malaysia

18 April
Northport clinched a Gold Award at the Mini Team Excellence (MTEx) Convention 2019 for Central Region category organised by the Malaysia Productivity Corporation

19 April
Tanjung Bruas Port Sdn Bhd (Tanjung Bruas Port) welcomed the first Container Vessel to call at its terminal named MV West Scent

19 April
Johor Port signed a Marine Services Agreement with PETRONAS LNG Ltd

25 April
PTP sealed an agreement with the Social Security Organisation (SOCSO) on disability management through the Return to Work and Back Injury Protection and Rehabilitation Programme

25 April
YAB Tuan Adly Zahari, Chief Minister of Malacca, officiated the departure of the container ship from the terminal of Tanjung Bruas Port

27 April
Malakoff organised a friendly futsal tournament for the seventh year running with participation from the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), Energy Commission and the Ministry of Economic Affairs

29 April
Johor Port clinched the Global Business Leadership Award 2019 – Excellence in Port Facilities Management from the Asia Pacific Business Council for Sustainability and Institute of Sustainability

30 April
ATT Tanjung Bin Sdn Bhd held a groundbreaking ceremony for its International Maritime Organisation (IMO) 2020 Fuel Oil Refinery and Storage Tank Project in Seaport Worldwide Sdn Bhd's industrial development area at Tanjung Bin Petrochemical and Maritime Industrial Centre

CORPORATE **EVENTS**

MAY

2 May
MMC PLSB led the Malaysia Sewer Network Industry in setting a new benchmark with the successful breakthrough of the longest microtunneling DN1800 curvature sewerage pipeline for 725 metres pipe length and this was recorded in the Malaysia Book of Records

16 May
A welcoming ceremony was held onboard to celebrate the Spectrum of Seas maiden call at Swettenham Pier Cruise Terminal and graced by YB Datuk Mohamaddin Ketapi, Minister of Tourism, Arts and Culture Malaysia

17 May
JPSC successfully conducted a five-day training programme entitled Port Continuous Improvements Programme for PT Pelabuhan Indonesia IV (PELINDO IV)

21 May
PTP sealed an agreement with the National Institute for Occupational Safety and Health (NIOSH) to develop a comprehensive HSE training called Port Safety Passport Programme for the port workers

26 May
PTP welcomed a maiden voyage for Evergreen Line's latest generation of G Type vessel named Ever Glory which called at the port

27 May
Northport clocked another impressive milestone in its 118-year history when it became the first Malaysian port to be awarded the ISO 45001:2018 standard, an ISO standard for management systems of Occupational Safety and Health (OSH) that helps organisations to improve employee safety, reduce workplace risks and create better, safer working conditions

JUNE

1 June
PTP set a new world record to depart a vessel with a final load of over 19,000 Twenty Equivalent Units (TEUs) when Monaco Maersk, one of Maersk's 2nd Generation Triple E vessels, left the port with a record load of 19,284 TEUs

18 June
PTP signed an MoU with Terberg Tractors Malaysia to develop a comprehensive study on the viability of deploying autonomous driving terminal tractors to transfer containers within the terminal

23 June
Operating companies in the Southern Region celebrated *Oh Meriahnya Aidilfitri* with their stakeholders

24-25 June
YB Teresa Kok, Minister of Primary Industries Malaysia made a courtesy visit to Johor Port as well as to Senai International Airport to officiate Malaysia's Commodities Expo

25 June
Johor Port signed a Letter of Intent with Fujian Fuzhou Port Authority for overseas training programme cooperation

28 June
Northport launched the Northport Mobile Application, which was designed to complement the existing platforms of Northport's CONTRAK 2 and Client Access System

28 June
Northport became the new partner of the Football Association of Selangor (known as the Red Giants) to support the development of Selangor football

JULY

1 July
MMC Group celebrated the festive spirit by hosting a *Hari Raya* Open House at Hotel Istana Kuala Lumpur

4 July
Senai Airport City Sdn Bhd (Senai Airport City) in collaboration with Iskandar Halal Park Sdn Bhd, Federation of Malaysian Manufacturers and Singapore Manufacturing Federation organised a business talk with the theme Invest in *Halal* Industry Johor

5 July
Johor Port welcomed Mediterranean Shipping Company (MSC) Apollo as the largest container ship that ever called at the Johor Port Container Terminal

8 July
PTP welcomed and witnessed the inauguration ceremony of Decathlon Regional Distribution Centre for South East Asia at PTP Free Zone Area

9 July
Northport welcomed a visit by YB Ean Yong Hian Wah, the new Chairman of Port Klang Authority

CORPORATE **EVENTS**

15-29 July
Northport hosted the 40th Regiment of the Royal Army Engineers Regiment Annual Training Camp Series 5/2019

18 July
Northport clinched another Gold Award at the Regional Team Excellence Convention 2019 for Central Region category organised by the Malaysia Productivity Corporation

22 July
PTP received a courtesy visit from YB Mohd Solihan Badri, Chairman of Johor State Public Works, Infrastructure and Transportation Committee

24-25 July
Johor Port and PTP received an inaugural official working visit from YB Datuk Seri Panglima Wilfred Madius Tangau, Deputy Chief Minister of Sabah who is also the State Minister of Trade and Industry

27 July
PTP became the first port in Southeast Asia to welcome MSC's latest and largest container vessel named MSC Gulsun as part of its maiden voyage to the South East Asia

AUGUST

31 July – 1 August
Malakoff bagged two Gold Awards at the regional Team Excellence Convention organised by Malaysia Productivity Corporation

1 August
MMC Group of Companies won several awards at the Malaysian Society for Occupational Safety and Health (MSOSH) Occupational Safety and Health (OSH) Award 2018 held at One World Hotel, Petaling Jaya

3 August
Northport organised a Futsal Challenge for its customers comprising of Northport's container, conventional and logistics business customers

16 August
MMC Group celebrated the MMC Group CEO Awards 2018 ceremony to recognise outstanding organisation achievements and remarkable leaders within the MMC Group

17 August
Johor Port signed a Port Training Services Agreement with PT Pelabuhan Indonesia III (PELINDO III) at the PELINDO Office in Surabaya, Indonesia

21 August
MMC Group and DRB-HICOM Berhad collaborated with MACC to combat bribery and corruption at a pledging and signing ceremony held at Hilton Petaling Jaya

23 August
Northport organised a stakeholder engagement session with its key stakeholders to strengthen bonds with its customers

26 August
Kontena Nasional Berhad celebrated its 48th Anniversary at their headquarters and all branches simultaneously

29 August
Senai International Airport collaborated with Jabatan Kerja Raya Kulai for Kibar Jalur Gemilang programme in the spirit of 62nd Merdeka Day celebration

31 August
Johor Port participated in the Johor State level National Day parade in conjunction with Malaysia's Independence Day

SEPTEMBER

4 September
Johor Port signed a Memorandum of Agreement for a contribution of RM3 million to the Universiti Teknologi Malaysia Endowment Fund

4-6 September
PTP hosted the annual Port Safety (Dangerous Cargo) Audit, an initiative developed by the committee of Dangerous Cargoes and Safety Managers, Federal Port Authorities of Malaysia

10-12 September
PTP and Johor Port participated in the 17th ASEAN Ports and Shipping Conference held in Phnom Penh, Cambodia

10-13 September
MMC Group participated in the Malaysia World Maritime Week 2019 held at Kuala Lumpur Convention Centre

19 September
Gas Malaysia was conferred with two prestigious awards under the Utilities Sector at The Edge Billion Ringgit Club Corporate Awards 2019 ceremony

CORPORATE **EVENTS**

OCTOBER

3 October
MMC PLSB launched its First Flow event for the initial flow of 65,000 Population Equivalent (PE) into the Langat Centralised Sewage Treatment Plant in Kampung Sungai Balak, Kajang. The event was graced by YB Dr. Xavier Jayakumar, Minister of Land, Water and Natural Resources Malaysia

10-13 October
Northport participated in the Selangor International Business Summit 2019 (SIBS 2019) and became the Official Port Partner of SIBS 2019

12–17 October
MMC Port Holdings Sdn Bhd (MMC Ports) participated in Johor Port Week 2019 organised by Johor Port Authority, PTP and Johor Port to promote Malaysia's Southern Gateway as a premier maritime and trade hub of the region

12 October
Malakoff organised a friendly bowling match between Malakoff and Bernama at U Bowl, One Utama

15 October
Johor Port received the Star Class Award – the highest award tier in Innovation Excellence at the Asia Pacific Quality Organisation Innovation Class Award 2019

15 October
MMC PLSB received the most-awaited special made Tunnel Boring Machine named *Merong Mahawangsa* to break through extreme rock formation along the pipe jacking length of 2,599 metres for Langat Sewerage Project

16 October
Senai International Airport received an official working visit from the delegation of Embassy of China led by its First Secretary and Consul

18 October
Northport and POIC Sabah Sdn Bhd signed a Strategic Collaboration Agreement for the establishment of a sister port relationship

19 October
Senai International Airport organised the first Senai Airport Airside Run 2019 and attracted 120 runners to compete in the 4 kilometre race

NOVEMBER

1 November
Malakoff held its annual friendly football match with MESTECC to strengthen the bond between both parties

4 November
PTP hosted an inaugural working visit by Dato' Abdul Majid Ahmad Khan, Chairman of Malaysian Investment Development Authority and his delegation

8 November
Johor Port signed a Second Supplementary Agreement on Training Services with PELINDO IV to extend the port training programmes for one more year

14 November
MMC Group participated in the Sixth Edition of Bursa Bull Charge 2019 held in Bukit Kewangan, Kuala Lumpur

20 November
Northport organised an annual engagement session with the Government's enforcement agencies with the aim to continuously combat and eradicate any form of corruption within the organisation

25 November
Northport participated in the Asian Shippers Forum hosted by the Malaysia National Shippers' Council at Aloft Hotel, Kuala Lumpur

DECEMBER

3 December
Johor Port marked another milestone as the first port in Malaysia to have three interlink pipelines at its Liquified Petroleum Gas terminal

9 December
Gas Malaysia handed over business *zakat* contribution worth RM3.5 million to the Sultan of Selangor, DYMM Sultan Sharafuddin Idris Shah Al-Haj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al-Haj

CORPORATE **EVENTS**

13 December
PTP hosted an inaugural working visit for His Excellency, Bolat Imanbayev, Ambassador of the Republic of Kazakhstan and his delegation

16 December
Johor Port achieved another milestone by handling a record container volume of 1.0 million TEUs of containers in 2019, an improvement of 10.5% over the previous year's volume of 0.9 million TEUs, which was also a record volume then. The celebration of the achievement was officiated by YB Anthony Loke, Minister of Transport Malaysia

16 December
Johor Port entered into a Soft Commodity Strategic Alliance Agreement with Access World where both parties will cooperate and combine resources to increase the volume of soft commodities entering and being traded in Johor

17 December
Senai International Airport welcomed Firefly's inaugural flight from Kota Bharu

20 December
Senai International Airport celebrated its latest milestone of handling 4 million passengers in a single year for the first time since its opening in 1974. The special celebration was led by YB Muhammad Bakhtiar Wan Chik, Deputy Minister of Tourism, Arts and Culture Malaysia

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

The Board recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group. Maintaining effective corporate governance is, therefore, a key priority for the Board, and is achieved through implementing the three (3) key principles of good corporate governance as set out in the Malaysian Code on Corporate Governance 2017 (MCCG). The Board is pleased to present the Company's Corporate Governance Overview Statement which provides the shareholders and investors with an overview of the Corporate Governance practices adopted by the Company during the Financial Year 2019.

The Corporate Governance Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad Listing Requirements (Listing Requirements) and is to be read in conjunction with the Corporate Governance Report (CG Report), which is made available on the Company's website, www.mmc.com.my. The CG Report provides a detailed explanation on the application of the corporate governance practices as set out in the MCCG by the Group during the Financial Year 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. The Responsibilities of the Board

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

The Board has the primary responsibility for setting the strategic goals of the Company and in fulfilling the said responsibility, the Board had, on 26 November 2019, approved the Group's 5-Year Strategic Business Plan (2020-2024) (MMC Group Business Plan). MMC Group Business Plan, which is driven by sustainable growth, reflects the strategic focus and intensified efforts of the Group's core divisions to strengthen profitability amid the current domestic/global economic challenges and industry outlook.

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

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

There is a distinct and clear division of responsibilities between the Group Chairman and the GMD to ensure a strict balance of power and separation of authority. The Group Chairman is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Group Chairman also serves as the main link between the Board and Management and particularly between the Board and the GMD.

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

The Board Policy Manual, a source reference document for the Directors, outlines matters relating to the Board and its processes. It also sets out the duties and responsibilities of the Group Chairman, the GMD and the Board as a whole. The Board Policy Manual is made available on the Company's website, www.mmc.com.my, in line with the recommendations made by MCCG.

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

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

The Board had, together with the Senior Management team, pledged to conduct business ethically and adhere to all applicable laws and regulations whilst embracing zero-tolerance on any form of bribery and corruption, as witnessed by the Malaysian Anti-Corruption Commission (MACC) during a pledging ceremony held on 21 August 2019.

During the same, the Board and the Senior Management team were also briefed on the new corporate liability provision under Section 17A of the MACC Act 2009 which will be enforced effective 1 June 2020.

In strengthening its full commitment to govern its business practices with utmost integrity and deter the occurrence of bribery or corruption within the Group, the Board had approved MMC's Anti-Bribery and Anti-Corruption (ABAC) Policy and Framework on 27 August 2019.

The Finance, Investment and Risk Committee has been tasked with the responsibility of ensuring the effectiveness and adequacy of MMC's ABAC Policy and Framework in accordance with the MACC Act 2009 and the implementation of the same within MMC.

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

II. The Composition of the Board

The Board comprises a total of six (6) Independent Directors and three (3) Non-Independent Directors as at 31 December 2019, who were selected based on their expertise, experience, integrity and character. The Board consists of a majority of Independent Directors with expertise and skills from various fields and backgrounds. Thus, there is optimum Board balance and in compliance with the Listing Requirements in respect of the composition of the Board of Directors.

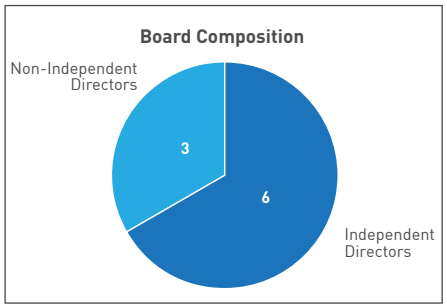
The Board recognises the importance of diversity in designing its composition while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board. Diversity has been considered from a number of aspects, including but not limited to gender,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

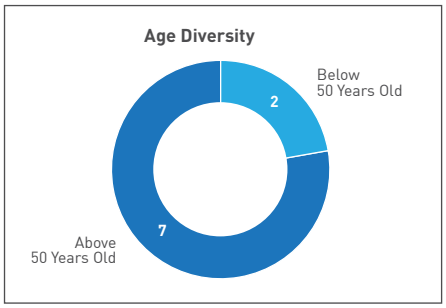
The Board encourages and supports more women participation in the Company's decision-making positions whilst it continues to strive towards 30% women participation in the Board composition. Currently, out of the nine (9) Directors, two (2) are women.

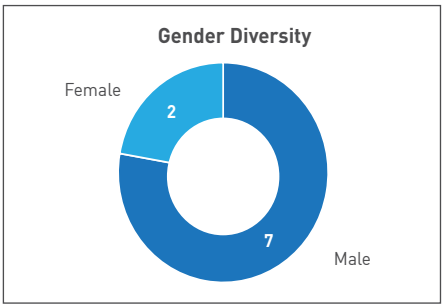
CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

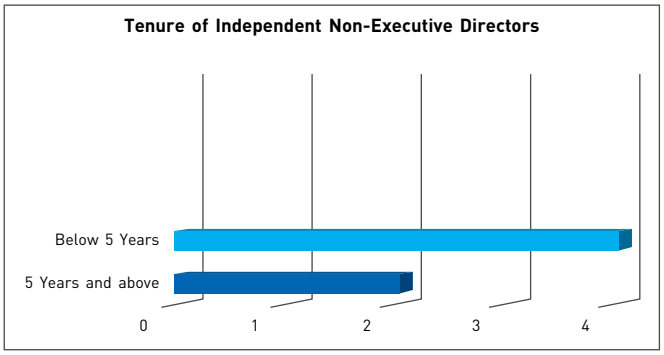
Overall, the Board is satisfied with the existing number and composition of the members as it enables effective oversight and delegation of responsibilities by the Board. The Board is also of the view that it comprises a good mix of members with diverse academic backgrounds to provide for a collective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

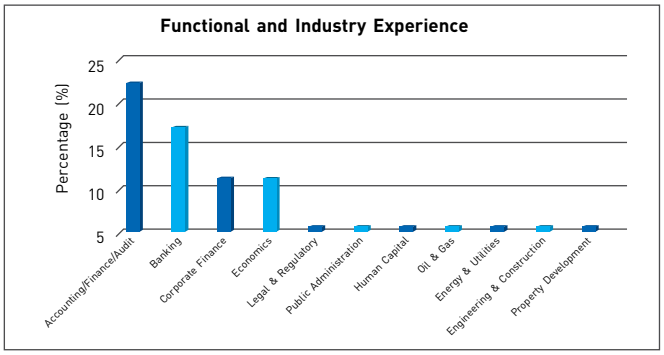
The summary of the Board Diversity is depicted in the charts below:











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

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

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

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

Based on the assessment exercise conducted for Financial Year 2019, it can be concluded that the Board and its committees are effective in discharging its responsibilities and there is no significant weakness identified.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

Additionally, the Board has identified the following areas/topics to further enhance and assist the Directors in discharging their duties and responsibilities as a Director of the Company:

- Familiarisation visits;
- Ports and Logistics industry;
- Technology and Water industry;
- Best practices on Corporate Governance;
- Anti-corruption and anti-bribery risk assessment;
- External trends, threats and opportunities related to MMC Group; and
- Economic and Regulatory updates related to MMC Group's businesses.

III. The Remuneration of the Board

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

The Board, with the assistance of the Nomination and Remuneration Committee, reviews the level of remuneration of Directors to ensure that it is sufficient to attract and retain the Directors needed to lead the Company to success. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors. The Board also ensures that the remuneration received by the Directors remain competitive, appropriate and align with the market practice.

The details of the remuneration received by the Non-Executive Directors and the GMD for the financial year 2019 are set out in the table below:

EXECUTIVE DIRECTOR

No.	Name	Salary, Bonus and Defined Contribution (RM)	Benefits (RM)	Remuneration received from Subsidiaries (RM)	Total
1.	Dato' Sri Che Khalib Mohamad Noh	4,480,378.00	166,251.55	253,950.00	4,900,579.55

NON-EXECUTIVE DIRECTORS

No.	Name	Board Fee	Meeting and Fixed Allowances (RM)	Benefits-in-kind (RM)	Remuneration received from Subsidiaries (RM)	Total
1.	Tan Sri Dato' Seri Shamsul Azhar Abbas	600,000.00	19,500.00	85,062.93	705,000.00	1,409,562.93
2.	Datuk Ooi Teik Huat	96,000.00	116,500.00	35,000.00	120,400.00	367,900.00
3.	Dato' Abdul Hamid Sh Mohamed	96,000.00	78,500.00	30,000.00	-	204,500.00
4.	Dato' Siti Halimah Ismail	96,000.00	42,000.00	13,296.24	-	151,296.24
5.	Syed Naqiz Shahabuddin Syed Abdul Jabbar	96,000.00	34,000.00	35,000.00	-	165,000.00
6.	Dato' Ir. Jamaludin Osman	96,000.00	54,000.00	34,299.00	-	184,299.00
7.	Tee Beng Thong	96,000.00	34,000.00	35,000.00	-	165,000.00
8.	Sharifah Sofia Syed Mokhtar Shah	96,000.00	20,000.00	-	-	116,000.00

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

IV. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises wholly of Independent Directors. The Terms of Reference of the Nomination and Remuneration Committee is published on the Company's website.

The details of the activities of the Nomination and Remuneration Committee are described in the CG Report 2019.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. The Audit Committee of the Board

The Audit Committee comprises three (3) members, a majority of which are Independent Directors. The Audit Committee is chaired by the Senior Independent Director, YBhg. Datuk Ooi Teik Huat.

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

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

II. Risk Management and Internal Control Framework

The risk management and internal control framework of the Group was approved by the Board.

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

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

Both the Finance, Investment and Risk Committee and the Audit Committee comprise a majority of Independent Directors.

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

The details of the Risk Management and Internal Control Framework of the Group are disclosed in the Company's Annual Report under the Statement of Risk Management and Internal Control. The activities of the Finance, Investment and Risk Committee of the Board are also disclosed in the Company's Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

MMC upholds its commitment in ensuring transparent, accurate and timely communication with the shareholders and stakeholders to enable them to make informed decisions.

The Corporate Disclosure Policies and Procedures, which is made available on the Company's website, was established to facilitate the timely dissemination and disclosure of the Company's material information to the shareholders and various stakeholders.

In addition, MMC views social media as an essential communication platform with its shareholders and stakeholders. Thus, the establishment of the Company's Facebook and Instagram pages, which serve as virtual interactive communication channels, provide easy and instantaneous access to the Company's information for the shareholders and stakeholders.

The Company continues to meet with research analysts, fund managers, members of the media/business editors and institutional investors, from both the local and international investment community. In 2019, MMC participated in investor conferences to provide updates on the latest developments within the Group.

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

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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

In 2019, the Company had embarked on its integrated reporting journey, based on the International Integrated Reporting Council's Integrated Reporting Framework, which resulted in the issuance of MMC's inaugural Integrated Annual Report 2019.

II. Conduct of General Meetings

Annual General Meeting (AGM) is held each year to consider the ordinary business of the Company and any other special business. Each item of special business included in the notice is accompanied by an explanation of the effects of the proposed resolution.

In compliance with the Listing Requirements, all resolutions tabled at the AGM will be voted by poll. An announcement will be made on the detailed results of the poll showing the number of votes cast for and against at the conclusion of the voting process.

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

In addition, MMC's responses, in relation to the queries raised by the Minority Shareholders Watch Group on the Company's financial performance, strategic and corporate governance matters, as well as, the matters relating to the resolutions, were also shared with the shareholders during the AGM.

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

All Directors attended the Company's 43rd AGM held on 9 May 2019 and engaged directly with the shareholders as well as responded to queries raised by the shareholders. The voting of all nine (9) resolutions at the 43rd AGM was also conducted through the electronic voting system.

The minutes of the AGM and/or Extraordinary General Meetings of the Company are disclosed and published on the Company's website.

STATEMENT ON COMPLIANCE

Overall, the Company has substantially complied with the majority of practices of the MCCG for the Financial Year 2019. The Board is committed and will continue to strengthen its application of the corporate governance practices and procedures throughout the Group, in pursuit of safeguarding the interest of all our shareholders and stakeholders.

The Corporate Governance Overview Statement has been approved by the Board of Directors at its Meeting on 25 February 2020.

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DIRECTORS' STATEMENT ON

RISK MANAGEMENT AND INTERNAL CONTROL

In line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors is pleased to present the Statement on Risk Management and Internal Control ("the Statement") for MMC Corporation Berhad for the Financial Year ended 31 December 2019.

BOARD RESPONSIBILITY

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

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

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

RISK MANAGEMENT

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

Risk Management Framework

The Enterprise Risk Management Policy and Framework ("Framework") is aligned to the ISO 31000 "Risk Management - Principles and Guidelines". The Framework provides a structured and consistent approach to risk management across the Group for informed decision-making.

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

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

Monitoring and Review

The objective of monitoring and reviewing the risk management process is to provide reasonable assurance that risks are being managed effectively. It is also to ensure that risk profiles drawn up reflect changing business conditions and exposures. Formal reporting has been instituted at the departmental, corporate and Board levels (including operating companies' Boards) and contain the significant risks identified by the businesses during the period.

DIRECTORS' STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

Risk Reporting

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

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

Risk Reporting Application System

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

INTERNAL CONTROL SYSTEM

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

Establishment of Various Committees

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

Board Level

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

Management Level

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

Organisational Structure

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

Limits of Authority

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

Business Plan and Budget

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

Strategy and Budget Challenge

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

Quarterly Performance Reviews

The Group performance is reviewed and monitored on a quarterly basis against the business plans and budgets approved by the Board. The report covers all key financial and operational indicators as well as key strategic initiatives undertaken by the companies during the year.
These are also discussed at the subsidiaries' Board meetings to ensure that their performance targets and objectives are met.

Joint Ventures and Associates

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

Group Internal Audit

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

Policies and Procedures

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

Whistle Blowing

A Whistle-blower Policy is available and a whistleblowing channel is provided for all employees and third parties to disclose improper conduct. This Policy also accords protection to whistle-blowers from detrimental action.

Anti-Bribery and Anti-Corruption

The Company's Anti-Bribery and Anti-Corruption Policy and Framework was approved by the Board on 27 August 2019. The Policy has been designed to provide the Company with a framework to establish the necessary measures to prevent corruption and bribery from happening, and to provide a defence against corporate liability as introduced by the MACC (Amendment) Act 2018.

The Policy states the Company's commitment to conduct business ethically and in full compliance with all applicable laws and regulations in every jurisdiction that MMC and/ or its Group of Companies operates. The Policy was communicated to the operating companies' level for adoption.

Business Continuity Management Systems (BCMS)

The objective of the MMC Business Continuity Management Policy and Framework is to provide a framework for the Company in building resiliency and enable an effective response to continue delivering critical services following a disruptive event.

The effectiveness of the framework was frequently tested. Several tests or exercises have been conducted at Head Office and operating companies' to confirm that the BCMS programme meets the objectives set in the policy and that the organisation's Business Continuity Plan (BCP) is fit for purpose.

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

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

- Quarterly reviews on the Group's actual financial and operational performance versus planned performance and other key financial and operational performance indicators.

- Review of specific transactions, projects or opportunities are also discussed between the Management and the Board as and when required. This allows the Board and the Management to manage potential risks.

- The Group's Risk Management Report is presented quarterly to the FIRC by the Group Risk Management Department to provide an overview of the Group's key risks and how they are being addressed. It also includes the summary report on Health, Safety and Environment of the Group and the Anti-Bribery and Anti-Corruption Implementation Program Update report. The report is also presented to the Board. The Board notes and provides its views which are then communicated to the respective risk owners by the Group Risk Management Department.

- The AC deliberates and discusses reports issued by the Group Internal Audit Department and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issues discussed are also updated to the AC to enable monitoring of the actions.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS

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

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

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

DIRECTORS' STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

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

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty that would require disclosure in this annual report.
This statement has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control Guidance for Directors of Listed Issuers.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. They have reported to the Board under Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

The Statement has been approved by the Board of Directors at its meeting on 25 February 2020.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Audit Committee (AC) provides critical oversight of the Group financial reporting process; monitoring the external and internal auditing processes; compliance with relevant legal and statutory matters and other matters delegated by the Board to the AC through its approved Terms of Reference.

AUDIT COMMITTEE COMPOSITION AND MEETINGS HELD

The AC composition, type of directorship and attendance of meetings held in the financial year ended 31 December 2019 are set out below.

No	Name	Directorship	No. of Meetings Attended
1.	Datuk Ooi Teik Huat (Chairman)	Senior Independent Non-Executive Director	5/5
2.	Dato' Abdul Hamid Sh Mohamed (Member)	Independent Non-Executive Director	5/5
3.	Dato' Ir. Jamaludin Osman (Member)	Non-Independent Non-Executive Director	4/5

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

- All AC members are Non-Executive Directors and a majority of them are Independent Non-Executive Directors, including the Chairman.
- No alternate director is appointed as a member.
- Two (2) members, Datuk Ooi Teik Huat, an MIA member, and Dato' Abdul Hamid Sh Mohamed fulfil the requirement of paragraph 15.09(1)(c)(i) of the MMLR.

Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed have both exceeded the limit of tenure of an Independent Director (cumulative of nine (9) years). Both have sought and obtained approval to remain as Independent Directors from MMC Corporation Berhad's shareholders at last year's Annual General Meeting (AGM). Both will be seeking shareholders' approval to continue as Independent Directors in the AGM to be held on 22 June 2020 applying Guidance 4.2 of the Malaysian Code on Corporate Governance 2017.

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

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

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

SUMMARY OF WORK DONE BY AUDIT COMMITTEE

During the financial year, the AC performed the following:

Financial Reporting & Compliance

- Reviewed the quarterly financial results of the Company and the Group on 26 February, 27 May, 26 August and 21 November 2019 prior to recommending them to the Board for approval. The matters reviewed and discussed were:
  - Financial and operational performance, and financial statements.
  - Budget achievement, reasons for the variances and efforts to meet targets.
  - Internal and external matters impacting financial and operational performance, and the actions to be taken.

AUDIT **COMMITTEE REPORT**

- Reviewed quarterly announcements prior to recommendation to the Board for approval to ensure that the announcements reflect the situation and are representative of their views.

- Held a Special Audit Committee meeting to review the Audited Statutory Financial Statement for the financial year ended 31 December 2018 on 1 April 2019 and its suitability to be recommended to the Board for approval.

External Audit

- Reviewed and recommended to the Board the External Auditors' Report on 2018 year-end financial statement on 26 February 2019 covering amongst others, the following:
  - Significant accounting and auditing matters during the year.
  - Internal control recommendations.
  - Information Technology Audit.
  - Summary of uncorrected misstatements.
  - Summary of impact of adoption of new MFRS's.
  - Developments in laws and regulations.
  - Key audit matters.

- Reviewed and recommended to the Board, the External Auditors' 2019 Audit Plan on 26 August 2019, which detailed the terms of engagement for statutory audit; independence of the external audit team; audit approach; and areas of audit emphasis, risk assessment; reporting timeline as well as development in laws and regulations and financial reporting standards.

- Reviewed the External Auditors' fees and recommended it to the Board for approval.

- Held two (2) private discussions on 26 February 2019 and 26 August 2019 with the External Auditors without the presence of Management.

- Obtained written assurance from the External Auditors that they are independent according to the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

Internal Audit

- Reviewed and approved Group Internal Audit Department (GIA)'s Annual Internal Audit Plan for 2020, to ensure the adequacy of scope and coverage; competency and resources available; and that Internal Audit has the necessary authority to carry out its work.

- Approved the performance of a Quality Assurance Review (QAR) on the internal audit function via a Self-Assessment by GIA with Independent Validation by an external party.

- Reviewed and deliberated on the planned and ad hoc internal audit reports issued and the adequacy of management response and actions to address control deficiencies.

- Reviewed quarterly updates on the progress of the Annual Internal Audit Plan 2019, revision to the Plan, the status of corrective actions on whether appropriate actions are taken on the recommendations of GIA, and results of Customer and Audit Committee Satisfaction Surveys to improve internal audit services.

- Reviewed the initiatives carried out by GIA for the Group to promote collaboration, harmonisation, standardisation and improving competencies in internal auditing.

AUDIT **COMMITTEE REPORT**

Others

- Quarterly review and monitoring of recurrent related party transactions, their aggregate values and the percentage ratio to ascertain whether shareholders' mandate is required.
- Reviewed the Audit Committee Report 2019 for incorporation into the Annual Report 2019 and recommended it to the Board for approval.

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

SUMMARY OF WORK DONE BY GROUP INTERNAL AUDIT

Group Internal Audit

- GIA has an independent status in the organisation, with direct reporting to the AC and an administrative reporting to the Group Managing Director (GMD).
- GIA's purpose, objectives, authority and responsibilities are spelt out in the GIA Charter which is endorsed by the AC and approved by Board.
- GIA's mission is to provide independent and objective assurance on governance, risk management and control systems reviewed that will improve and add value to the Company and Group.
- The Company is a corporate member of The Institute of Internal Auditors.
- Updates are obtained on the developments in the internal audit profession and staff are sent for internal audit training to enable them to be competent auditors.
- The standards and practices adopted by GIA are aligned to the International Professional Practices Framework issued by The Institute of Internal Auditors.
- GIA has a formalised Competency Framework and a Competency Training and Development Plan.
- The Chief Internal Auditor is a Certified Internal Auditor and also has a Certification in Risk Management Assurance from The Institute of Internal Auditors, USA.
- There were nine (9) staff in GIA during the financial year.
- The total amount of expenses incurred by GIA during the financial year is RM2.27 million.

Assurance Services

- GIA prepared a risk based Annual Internal Audit Plan 2020 (the Plan) for the Company and a Consolidated Annual Audit Plan for the Group. The Plan was reviewed by the AC and approved for implementation whilst the Consolidated Plan was noted by the AC.
- Quarterly updates were prepared for the AC detailing the following:
  - Status of the 2019 Plan on the assignments completed, in progress and outstanding.
  - Revisions made to the Plan and the rationale for the changes.
  - Staff movement and recruitment to enable the AC to assess the adequacy of the competencies, skills and resources to provide adequate assurance on the governance, risk management and controls of the entities audited.

AUDIT **COMMITTEE REPORT**

- Results of Customer and Audit Committee Satisfaction Survey for the AC's information and assessment.
- Whistleblowing cases received and the actions taken.
- Initiatives carried out in GIA and for Group Companies

- A total of 24 planned and ad hoc assignments were presented covering the areas of control environment, risk management, procurement, project implementation & contract management, maintenance, revenue assurance, human resource management and investigations.

- Follow-up audits were also performed to monitor and assess the closure of governance, risk management and control matters reported earlier.

- For Group companies, GIA Reports were presented to the respective AC or Board of the Companies.

- GIA provided assertions on its independence and objectivity and conformance with the International Professional Practices Framework (IPFF) on Internal Auditing in its provision of assurance services on governance, risk management and control reviews.

- The results of the QAR via Self-Assessment with Independent Validation, which was presented to the AC, showed that GIA was rated as 'Generally Conforms' for all the areas assessed.

Group Support Services

- Continued with collaborative audits in the Group to enable sharing of best practices on selected audits.

- Continued facilitation of Cybersecurity Risk Assessment to assist companies in the Group to identify, assess and draw up mitigation measures, as well as plan for future audits by the in-house and outsourced service provider.

- Provided guidance to subsidiaries to update the Internal Audit Charter and provision of assertions relating to compliance with the IPFF, Standards for the Professional Practice of Internal Auditing and Code of Ethics by the Internal Audit function.

- Provided oversight/guidance/assistance to internal audit functions on audit planning, report review and draft Annual Internal Audit Plan for 2020.

- Held Quarterly Internal Audit Roundtable meetings with Heads of Internal Audit and staff within the Group to promote knowledge sharing and improvement in internal audit services.

- Invited external subject matter experts to present on topics relevant to internal auditors' development and knowledge each quarter during Quarterly Internal Audit Roundtable meetings.

- Initiated Quality Assurance Review and Quality Assurance Improvement Program within the Group.

- Guided the formalisation and implementation of Competency Framework for internal audit functions in the Group.

The report has been approved by the Board of Directors at its meeting on 25 February 2020.

FINANCE, INVESTMENT AND RISK COMMITTEE REPORT

FINANCE, INVESTMENT AND RISK COMMITTEE REPORT

The Finance, Risk and Investment Committee ("FIRC") was established on 30 August 2013 to assist the Board in carrying out its duties and responsibilities. The Board, through the FIRC, is responsible to oversee the effectiveness and adequacy of the Group's risk management framework and its implementation throughout the Group; and other matters delegated by the Board to the FIRC through its approved Terms of Reference.

COMPOSITION AND MEETINGS

The FIRC comprises three (3) Independent Non-Executive Directors. Collectively, the FIRC members have diverse expertise, skills and experience. The FIRC is also committed to pursuing gender, age and ethnicity diversity as a combination of personalities provides a range of perspectives resulting in improved quality of decision making.

The Group Managing Director, Group Chief Financial Officer, Chief Internal Auditor and Head of Group Risk Management Department attended the FIRC meetings as invitees. Other attendees, internal staff or external parties are invited to present on matters required by the FIRC.

Details of FIRC members and their attendance record at FIRC meetings held during the Financial Year ended 31 December 2019 are as follows:

FIRC Member	Number of FIRC Meetings	
	Attendance	%
YBhg Dato' Abdul Hamid bin Sh Mohamed Chairman Independent Non-Executive Director	5/5	100
YBhg Datuk Ooi Teik Huat Member Independent Non-Executive Director	5/5	100
YBhg Dato' Siti Halimah binti Ismail Member Independent Non-Executive Director	5/5	100

FINANCE, INVESTMENT AND **RISK COMMITTEE REPORT**

MAIN ACTIVITIES OF THE FIRC IN 2019

The FIRC principal activities in the year under review are summarised below:

- Deliberated the Group Strategic Risk and the corresponding key operational risks as well as key controls taken to manage the risks each quarter.
- Reviewed the Group Enterprise Risk Management Report and risk incidents which have occurred and deliberated the adequacy and effectiveness of mitigation actions taken.
- Reviewed the risk profiles and mitigation plans for projects with recommendations for further action to ensure that the projects are meeting the objectives.
- Reviewed the viability and risks of new potential investments.
- Reviewed the Group's tax position and effectiveness of tax management.
- Reviewed the implementation and effectiveness of the Business Continuity Management program to ensure that an adequate and effective mechanism is in place to enhance the Company's response and preparedness during crisis or disaster.
- Reviewed the Statement of Risk Management and Internal Control to be incorporated in the Annual Report which summarises the risk management practices, and internal controls implemented by Management.
- Reviewed the Group Sustainability Statement and the effectiveness of related program and subsequently recommended to the Board for approval.
- Reviewed the MMC Anti-Bribery and Anti-Corruption Policy and Framework and subsequently recommended it to the Board for approval.
- Reviewed the Anti-Bribery and Anti-Corruption Implementation Program and recommended improvements to adequately address bribery and corruption risks.
- Reviewed the revision to the Guidelines for Investment by MMC Group and subsequently recommended it to the Board for approval.

CONCLUSION

The FIRC continues to diligently exercise its risk oversight responsibilities. This is to ensure that risk management is an integral part of the decision making process to achieve the Group's strategic and long term objectives.

ADDITIONAL COMPLIANCE INFORMATION

1) MEETING ATTENDANCE RECORD FOR THE FINANCIAL YEAR 2019

No.	Name	Board	Audit Committee	Nomination and Remuneration Committee	Finance, Investment and Risk Committee
1	Tan Sri Dato' Seri Shamsul Azhar Abbas	7/8	-	1/1	-
2	Dato' Sri Che Khalib Mohamad Noh	8/8	-	-	-
3	Datuk Ooi Teik Huat	8/8	5/5	1/1	5/5
4	Dato' Abdul Hamid Sh Mohamed	8/8	5/5	-	5/5
5	Dato' Siti Halimah Ismail	8/8	-	-	5/5
6	Syed Naqiz Shahabuddin Syed Abdul Jabbar	8/8	-	1/1	-
7	Dato' Ir. Jamaludin Osman	8/8	4/5	-	-
8	Tee Beng Thong	8/8	-	1/1	-
9	Sharifah Sofia Syed Mokhtar Shah	8/8	-	-	-

2) UTILISATION OF PROCEEDS

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

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

The details of the statutory audit, audit-related and non-audit fees paid/payable to Messrs. PricewaterhouseCoopers PLT (PwC) for services rendered to the Company and the Group for the financial year ended 31 December 2019, are as follows:

	Group RM' 000	Company RM' 000
Statutory Audit Fees	1,646	391
Audit Related Fees[1]	158	112
Non-Audit Fees[2]	50	50

[1] Fees incurred in relation to the performance of quarterly reviews
[2] Fees incurred primarily in relation to advisory services

4) MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

During the financial year, there were no contracts entered into by the Company and its subsidiaries involving the interest of the Directors and Major Shareholder.

5) CONTRACTS RELATING TO LOAN

There were no contracts relating to loans by the Company involving Directors and Major Shareholders for the financial year ended 31 December 2019.

SUSTAINABILITY
STATEMENT

MMC Group is committed to operating responsibly, inculcating a sustainability mindset among our employees and across the value chain of our businesses to achieve long-term value creation. This Sustainability Statement outlines the sustainability agenda at MMC Group and reports on the sustainability practices and performance in our day-to-day operations throughout the Financial Year 2019 ("FY2019").

SUSTAINABILITY **STATEMENT**

COMMITTED TO CREATING SUSTAINABLE VALUE

At MMC Corporation Berhad ("MMC or the Group"), sustainability remains at the heart of our business model and our approach to value creation. Our initiative to sustainability is centred on optimising the Group's inherent strengths and resources while effectively responding and addressing the Group's Economic, Environmental and Social ("EES") matters towards achieving responsible management and sustainable development.

The Group is of the view that true value creation over the near and long-term, is only achieved when sustainability is integrated into our business and operational strategies. By contributing to society and conserving the environment, the Group invariably achieves operational excellence within itself while enhancing the entire value chain with continuous improvement.

As in previous years, our Sustainability Statement ("Statement") discloses MMC's approach and performance in managing material EES matters. A matter is deemed material if it has the potential to impact the Group's strategies and business operations *(see Materiality section within this Statement for more information).*

REPORTING SCOPE AND BOUNDARY

This Statement covers the full financial year of 1 January to 31 December 2019. It has been prepared in accordance with the Bursa Malaysia Sustainability Reporting Guide Second Edition and the Bursa FTSE4Good Index. The scope and boundary for provided data, results and information covers the Group's operating companies under the Ports and Logistics, Engineering and Industrial Development business divisions.

Excluded are data pertaining to the Group's Energy and Utilities Division (Malakoff Corporation Berhad and Gas Malaysia Berhad). Both entities are public listed companies whose sustainability related data is published in their respective sustainability reports.

This Statement is to be read together with MMC's Annual Report 2019.

MANAGEMENT'S APPROACH TO SUSTAINABILITY

MMC's approach to sustainability is centred on realising the following objectives:

a) Embed the concept of sustainable development as an important part of business;
b) Promote integrity and quality of services; and
c) Promote understanding of sustainability and accountability amongst our employees

In addition, our approach to sustainability takes into account the needs, interests, concerns and aspirations of key stakeholders and consequently, our interaction, engagement and impact with these individuals or groups as outlined in the table below *(kindly refer to Stakeholder Engagement page 27 in this Annual Report for further information).*

Category	Mission	Objectives	Initiatives	Rationale
Customers	To exceed customers' expectations	• Experience • Recognition	Deliver better customer experience with customers' insights by connecting with clients while delivering unique and competent services	We focus on providing the best service and experience to our customers through operational responsiveness and tailored solutions
Shareholders	To maximise return to shareholders	• Engagement • Knowledge sharing • Communications	Provide greater transparency and interactions with shareholders through broader engagement initiatives	We focus on delivering structured and consistent engagements with our shareholders
Governance and Business Ethics	To maintain sustainable governance and good business ethics	• Transparency • Trust • Zero-tolerance policy towards bribery and corruption	• Corporate integrity • Adopt and embed business ethics and ethical conduct as part of the organisation's culture	We adopt the highest standards of integrity, embedding business ethics and ethical conducts as a cultural component within the organisation

SUSTAINABILITY **STATEMENT**

Category	Mission	Objectives	Initiatives	Rationale
Employees	To promote individual and team excellence among our employees	• Training and development • Engagement • Safe and healthy work environment	Succession planning	We ensure a continuous inflow of talent for various job levels to ensure seamless transition and leadership succession within the organisation Succession planning also allows us to create more positions that can better prepare potential leaders and identify talents within the Group
			Improving retention	By raising employee competency, we are able to improve overall performance at the workplace. We enhance our competency development process and programme through a more organised and holistic approach
			Healthy workforce and effective management of health risks at the workplace	Safety has always been our utmost priority, proven by the development of our HSE Policy emphasising a dynamic and structured approach to the management of health and safety aspects
Environment	To care for the environment and operate responsibly	• Carbon emission • Biodiversity • Waste management • Water consumption	Monitor and establish measures on environmental performance on carbon/ key emissions, implement waste management, water consumption and biodiversity programmes to reduce carbon footprint/emissions and waste Engage employees on integrating sustainability and empower them to conduct initiatives on environmental care	Operating in a responsible manner to minimise environmental impact where possible. We take a proactive approach on environmental issues specifically on managing carbon/key emissions and waste (hazardous and non-hazardous) Our commitment to the environment includes our continuing efforts to inculcate environmental awareness and consciousness amongst our employees
Community	To make a positive difference in the lives of our community	• Investing in the next generation • Community development	Empowering communities is an integral part of our company culture and the way we do business. We leverage on our extensive reach to implement sustainable programmes that will benefit the communities	We promote upskilling and expansion of career opportunities for youths. We also aim to raise the level of knowledge and awareness about our industry, which is in line with the greater objective of nation building

SUSTAINABILITY **STATEMENT**

1.0 SUSTAINABILITY GOVERNANCE

MMC's commitment to sustainability continues to be driven by its comprehensive governance structure. Governance of sustainability is driven from the top, by the Group's Board of Directors (the Board), which is supported by Senior Management, and is cascaded across the Group via various strategies, policies, programmes and other initiatives.

The Group's Finance, Investment and Risk Committee ("FIRC"), comprising selected members of the Board, is tasked with overseeing sustainability within the Group. The Terms of Reference for FIRC has been updated to incorporate matters related to integrity. The FIRC convenes quarterly and is chaired by a member of the Board. The FIRC is a sub-committee of the main Board. In attendance, by invitation, are the Group Managing Director, Group Chief Financial Officer, Group Chief Internal Auditor, Group Company Secretary and Head of Group Risk Management.

MMC Corporation Berhad and DRB-HICOM Berhad collaborated with MACC to combat bribery and corruption.

1.1 UPHOLDING GOOD MARKETPLACE PRACTICES AND CORPORATE GOVERNANCE

Beyond the governance structure, MMC has incorporated a set of values and has implemented various policies to cultivate transparency, accountability and integrity towards ensuring good corporate governance and responsible marketplace practices within its decision making and day-to-day operations.

Our core values – INTEC (Integrity, Innovation, Teamwork, Excellence and Commitment) are emphasised in the Group's internal practice guidelines such as the MMC Anti-Bribery and Anti-Corruption Policy & Framework, Group Procurement Policy and MMC Competition Compliance Policy. Among other policies implemented are the Board Policy Manual, Whistleblowing Policy, Code of Ethics, Corporate Disclosure Policies and Procedures, Related Party Transaction Policies and Procedures as well as Terms of Reference. All policies are publicly available for review in the MMC corporate website under the Corporate Governance section.

The MMC Anti-Bribery and Anti-Corruption Policy & Framework was formalised on 27 August 2019 and adopted at all levels of the company business and operations. Enhancements to the Group Procurement Policy further strengthened the said policy, with requirements for suppliers and vendors to sign the MMC Integrity Pact towards strengthening corporate governance, business integrity and encouraging good marketplace practices within the value chain.

In addition, the Group had collaborated with the Malaysian Anti-Corruption Commission ("MACC") on conducting anti-corruption programmes within the Group, which included a session on the new section 17A MACC Act 2009 on Corporate Liability. Group Risk Management Department had been assigned as the custodian of the MMC Anti-Bribery and Anti-Corruption Policy and shall take reasonable and proportionate measures to ensure the implementation of the MMC Anti-Bribery and Anti-Corruption Policy and programme throughout the Group.

We have also taken the Ikrar Bebas Rasuah ("IBR") corruption-free pledge initiated by MACC to combat corruption, at both the Group level and across all MMC's operating companies. The Group Risk Management Department had also conducted a gap analysis against MACC's Guidelines on Adequate Procedures, with relevant actions taken to close identified gaps and periodic reporting to the relevant committees for improvement and notation.

SUSTAINABILITY **STATEMENT**

2.0 MATERIALITY

The Group's business operations are diverse and spread across a wide range of industries. A materiality survey was conducted in 2017 to identify, evaluate and prioritise matters for disclosure that is of importance to our key stakeholders. Our approach to materiality consists of a four-step process:

- Identify matters that have the ability to affect our value creation
- Evaluate its importance based on its known or potential effect on value creation
- Prioritise the matters based on their relative importance
- Disclose information about how we manage these material matters.

We assessed the topics internally and found the topics to remain relevant. To improve the quality of disclosure, we consolidated the 30 topics reported in 2018 into 17 topics, determined by management and the sustainability working committee, who are in regular engagement with MMC's stakeholders.

Topics deemed material for FY2019 are based on the EES perspective; that is in terms of the extent of EES impact caused or potentially caused by a material topic, as well as the likelihood of occurrence. Boundaries and Group involvement in these materiality matters could be internal or external, and impact caused by the Group could be direct or indirect depending on the material topic.

The Board has reviewed and acknowledged the outcome of the materiality assessment. We will continue to regularly assess our material topics and will update our list regularly in dynamic response to changes in the external environment.

3.0 ECONOMIC PILLAR

Our economic disclosures provide insights into our interactions with the marketplace ecosystem and how our business activities influence stakeholders' economic conditions.

3.1 OUR BUSINESS STRATEGY AND ECONOMIC VALUE GENERATED

The Group continuously reviews and refines its strategic direction and supporting initiatives to ensure sustainable growth. Our concerted efforts to grow the Ports and Logistics Division were accompanied by dynamic efforts to increase the capacity of our Energy and Utilities Division. We also continued to focus on driving large-scale Engineering projects and to implement innovative ideas in developing our Industrial Development hub for Senai Airport City.

In the pursuit of our aforementioned business strategies, the Group has delivered tremendous direct and indirect economic value. Specific details on direct economic value created such as revenue, profit performance, market growth, shareholder dividend payments and other indicators are provided in the financial and value creation sections of this Annual Report.

In addition, a comprehensive narrative of our financial and operational performance is provided in the Management Discussion and Analysis ("MD&A") section of this report, page 80.

3.2 GENERATING INDIRECT ECONOMIC VALUE

3.2.1 LOCAL PROCUREMENT AND SUPPLY CHAIN

The Group, given its nationwide presence and diversified business interests, invariably has played an important role in developing talent and industry. The multiplier effect of our business presence and activities have resulted in continued strong socio-economic effects across multiple industries, regions and communities.

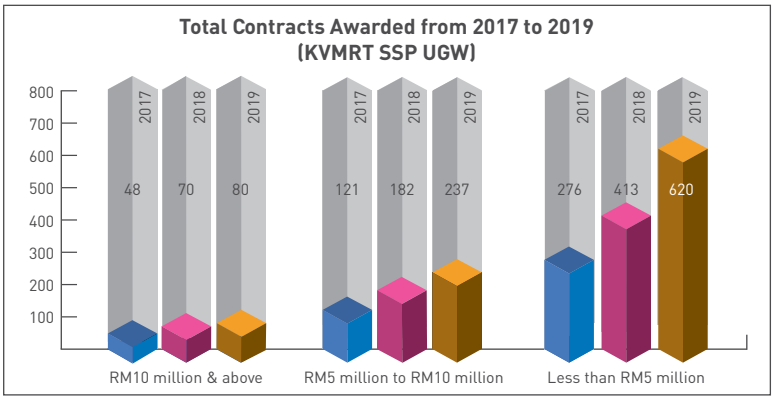
By supporting various industries and sub-industries, MMC has developed local talents and local companies while facilitating transfer of knowledge and skills. This positive outcome is in line with national aspirations of developing local Small and Medium Scale Enterprises ("SMEs") by leveraging on the business support of well-established and large-scale industry players.

Our decision to develop a local supply chain comprising local suppliers is also strategic in ensuring that we are able to achieve operational excellence and deliver customer satisfaction. The ability to quickly and cost effectively source for resources, supplies and talent to support on-going operations and projects are vital to ensure timely delivery, high quality services and to manage projects efficiently.

MMC's procurement cycle is governed by the MMC Group Procurement Policy, which has enabled fair competition and bidding with contracts being awarded purely on merit. The policy provides for an integrated practice that promotes transparency, fairness, integrity, competitiveness and standardised terms and conditions of its products and/or services.

Klang Valley Mass Rapid Transit ("KVMRT") Underground Work Package ("UGW") KVMRT Sungai Buloh-Serdang-Putrajaya ("SSP") Line – Work Awarded to Local Supply Chain/SMEs

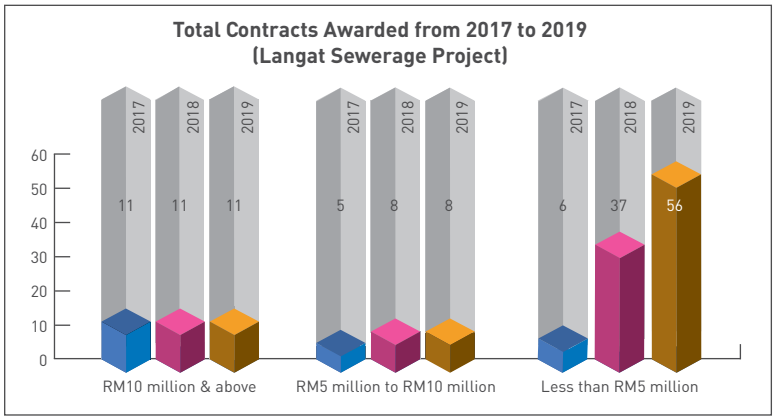
Year		2017		2018		2019	
Type	Amount Category	Total Contracts Awarded	Contract Amount (RM'million)	Total Contracts Awarded	Contract Amount (RM'million)	Total Contracts Awarded	Contract Amount (RM'million)
A	RM10 million and above	48	6,402	70	6,883	80	7,354
B	RM5 million to RM10 million	121	410	182	551	237	616
C	Less than RM5 million	276	187	413	367	620	621
TOTAL		**445**	**6,999**	**665**	**7,801**	**937**	**8,591**



SUSTAINABILITY **STATEMENT**

Langat Sewerage Project: Work Packages Awarded to SMEs

Year		2017		2018		2019	
Type	Amount Category	Total Contracts Awarded	Contract Amount (RM'million)	Total Contracts Awarded	Contract Amount (RM'million)	Total Contracts Awarded	Contract Amount (RM'million)
A	RM10 million and above	11	1,237	11	1,237	11	1,237
B	RM5 million to RM10 million	5	40	8	64	8	64
C	Less than RM5 million	6	6	37	25	56	36.4
TOTAL		**22**	**1,283**	**56**	**1,326**	**75**	**1,337.4**



3.2.2 SUSTAINABLE INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT

Under the Industrial Development Division, MMC Group Property is currently managing more than 5,000 acres of industrial developments through the following subsidiaries as below:

Industrial Development : Senai Airport City
Developer : Senai Airport City Sdn Bhd
Acreage : 2,718
Location : Senai, Johor, Malaysia

Industrial Development : Tanjung Bin Petrochemical and Maritime Industrial Centre
Developer : Seaport Worldwide Sdn Bhd
Acreage : 2,255
Location : Tanjung Bin, Johor, Malaysia

Industrial Development : Northern Technocity
Developer : Northern Technocity Sdn Bhd
Acreage : 354
Location : Kulim, Kedah, Malaysia

3.2.3 SUSTAINABLE INDUSTRIAL DEVELOPMENT ECOSYSTEM IN SENAI AIRPORT CITY

Since its inception, MMC Group Property has envisioned Senai Airport City as a sustainable industrial development that provides the necessary infrastructure and flexibility to enable various business operators and industrial players to operate and expand. In 2019, RM25 million was invested bringing the total project investment to date to a sum of RM467 million.

3.2.4 SUSTAINABLE DEVELOPMENT AT TANJUNG BIN PETROCHEMICAL AND MARITIME INDUSTRIAL CENTRE AS A STRATEGIC OIL STORAGE AND TRADING HUB

Tanjung Bin Petrochemical and Maritime Industrial Centre is developed by Seaport Worldwide Sdn Bhd ("Seaport Worldwide"). Measuring 2,255 acres, its development is based on its strategic location to complement Singapore's oil and gas storage capabilities and is positioned to leverage on the spillover effect of related business activities stemming from Singapore's position as an international oil and gas trading hub. To date, MMC has invested a total of RM444 million into the project.

Tanjung Bin Petrochemical and Maritime Industrial Centre is strategically located opposite Pelabuhan Tanjung Pelepas – giving the development a unique competitive edge. Other advantages include its proximity to the international shipping route (approximately just 45 minutes away), land availability and deep-water marine accessibility. Tanjung Bin Petrochemical and Maritime Industrial Centre's sheltered waters with a water channel of 17 metres natural draft and 3.6 kilometres of shoreline makes it ideal for tank storage and maritime industries that require private jetties.

Currently, one of the largest tank storage operators, ATT Tanjung Bin Sdn Bhd, a company wholly owned by Vitol Tank Terminals International B.V. is occupying 123 acres of Tanjung Bin Petrochemical and Maritime Industrial Centre land while operating 56 storage tanks with a total storage capacity of 1,150,000 cubic metres.

3.2.5 SUSTAINABLE DEVELOPMENT AT THE INDUSTRIAL DEVELOPMENT ECOSYSTEM IN KULIM, KEDAH

Northern Technocity comprises 354 acres of freehold land, which is to be developed in phases by Northern Technocity Sdn Bhd. The project is located strategically within Kulim Hi-Tech Park in Kulim, Kedah, Malaysia's sole high-technology park.

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

It is a complementary industrial park to Kulim Hi-Tech Park, which is primarily for SMEs looking to set up operations to support multinational companies there. The project also features a lifestyle commercial area designed for the benefit of businesses and workers within the precinct as well as the surrounding community. The design supports restaurants, cafes, hypermarkets, supermarkets and other commercial activities.

SUSTAINABILITY **STATEMENT**

3.2.6 SUSTAINABLE DEVELOPMENT AT SENAI AIRPORT CITY

The following are the key infrastructure that Senai Airport City and Seaport Worldwide has provided and proposed for the benefit of various industrial and business operators:

- Senai Airport City: Expansion of Free Zone and development of Non-Free Zone

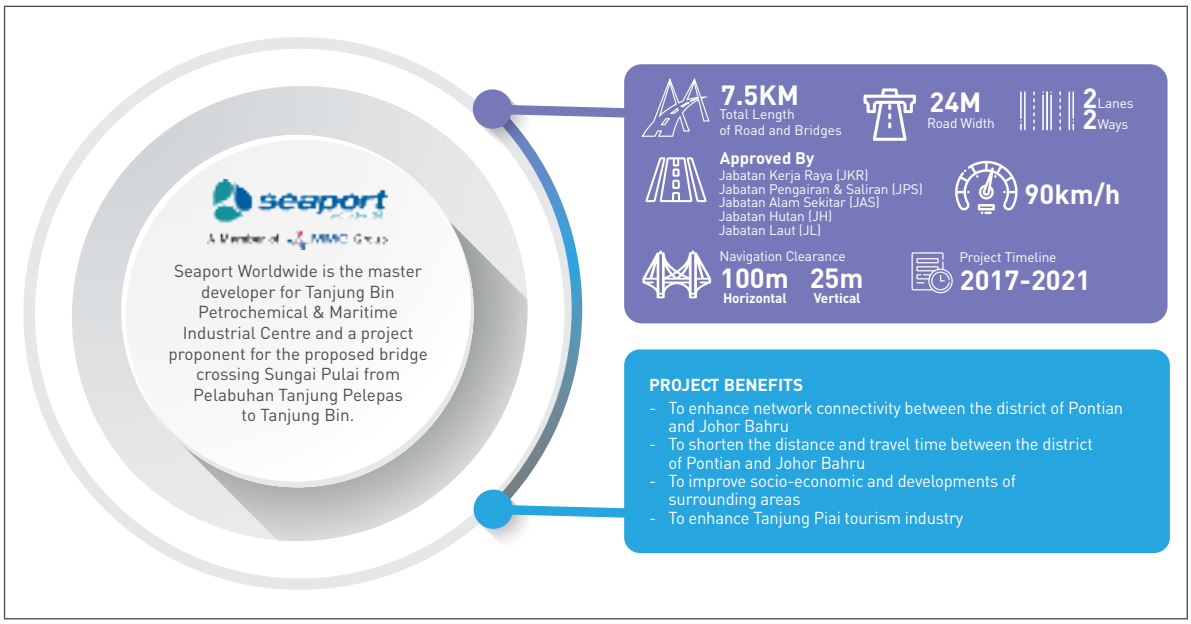
  In anticipation of rising demand from the manufacturing and industrial players, Senai Airport City is currently embarking on the expansion of its Free Zone areas and further development of its Non-Free Zone areas.

  The development involves 400 acres of land for the Free Industrial Zone and Free Commercial Zone, mainly for manufacturing and logistics activities respectively. The overall expansion at Senai Airport City will be developed with the levelled platform as well as ready infrastructure and utility lines.

  The expansion of the Free Zone and Development of Non-Free Zone areas are anticipated to attract foreign and domestic investments that will create employment opportunities, develop the downstream supply chain and provide more business opportunities for local communities.

- Proposed Bridge Crossing Sungai Pulai and Link Road from Pelabuhan Tanjung Pelepas to Tanjung Bin

  The RM673 million Sungai Pulai project involves the construction of a bridge crossing Sungai Pulai and link road from Pelabuhan Tanjung Pelepas to Tanjung Bin. Economic benefits include shortened travel time for land transport of goods and containers from Tanjung Bin Petrochemical and Maritime Industrial Centre to Pelabuhan Tanjung Pelepas while contributing to improved traffic flow. The following provides more info on the project and its ensuing benefits to the surrounding Gelang Patah and Pontian communities.



Special consideration has been given to environmental protection due to the project's location, Sungai Pulai, which contains the largest ecosystem in the state of Johor, comprising seagrass beds, intertidal mudflats and inland freshwater riverine mangrove forest that together support a rich biodiversity of flora and fauna.

There are 106 Environment Impact Assessment ("EIA") approval conditions set by the Department of Environment ("DOE") to eliminate any threat to the ecosystem during the implementation of this project. Initiatives undertaken by MMC Group, among others are as follows:

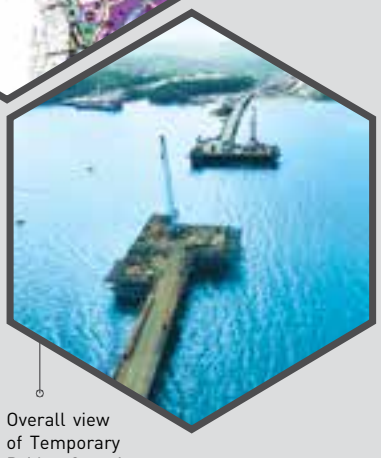
a) Preparation of Environmental Management Plan ("EMP"),

b) Outlining all control measures to be undertaken during the construction phase, including Erosion and Sedimentation Control Plan ("ESCP"), Ecological Monitoring Report for sensitive areas of Sungai Pulai Forest Reserve,

c) Study of the detailed inventory of wildlife, monitoring of coastline including bathymetry and hydrographic survey to monitor and assess the river morphology and last but not least,

d) The water and air quality sampling and analysis

Location of proposed bridge Crossing Sungai Pulai from Pelabuhan Tanjung Pelepas to Tanjung Bin



Overall view of Temporary Bridge Crossing Sungai Pulai

Complete column and cross head at Tanjung Pelepas area

Illustration of Bridge Crossing Sungai Pulai

3.2.7 SUSTAINABLE DEVELOPMENT – LANGAT SEWERAGE PROJECT

The Langat Sewerage Project is one of the Greater Kuala Lumpur anchor projects under the Ministry of Water, Land & Natural Resources ("KATS") and the Sewerage Services Department ("JPP"). The project will be able to accommodate an inflow of 920,000 population equivalent ("PE").

The project will reduce multipoint pollutant discharge in the Langat river, and will help realise the objective of achieving Class 1 water quality in the said river. The project specifically will be effective in achieving ammonia removal and delivering various community-based amenities through the use of smart-space development concepts as well as carbon reduction by means of Green Technology driven initiatives.

Apart from that, the Centralised Sewerage Treatment Plant ("CSTP") was designed based on a community-friendly concept in which the CSTP comes with a wide range of public recreational facilities such as a community hall, a landscaped park, badminton and futsal courts and more. These amenities and others will be built above the CSTP and shall be ready for public use by 2020.

Various Green Technology initiatives have been implemented in the construction of the Langat CSTP. This translates into cost and energy savings, optimisation of available resources (effluent water, rainwater harvesting and solar energy) while reducing generated waste. The diagramme below depicts some of the Green Technology initiatives implemented at the Langat CSTP:

Effluent Reuse System
Effluent water reuse system processes approximately 2,546 cubic metre per day (m3/day), which will be used for equipment washing and polymer preparation.

Rainwater Harvesting
Rainwater harvesting with effective collection of 10m3 per week will be used for toilet flushing at the administrative building.

Solar Photovoltaic
Solar panel generates approximately 200kV of electricity, which shall be used for the treatment tank lights.

Biogas Engine
Biogas recycling will generate 1.2MW of electricity and will be used for the aeration blowers.

4.0 ENVIRONMENTAL PILLAR

The Group strives continuously to improve its environmental systems, procedures and guidelines to ensure that a more sustainable approach towards environmental matters is embedded within our business processes and guidelines.

The Group allocates considerable resources in terms of expertise, equipment and activities to ensure that we meet and exceed set environmental parameters while taking every care to preserve the natural environment. We continue to do our utmost to emulate industry best practices – striving to reduce and manage the environmental impact of our day-to-day operations and creating enduring, positive differences for a better future.

4.1 CUSTOMER HEALTH AND SAFETY

Wildlife Hazard Management at Senai International Airport

It is Senai Airport Terminal Services Sdn Bhd's ("Senai International Airport") mission to ensure the highest safety and security of aircrafts and passengers pursuant to the regulations of the Civil Aviation Authority of Malaysia ("CAAM") and the standards of the International Civil Aviation Organisation ("ICAO").

Wildlife intrusion is one of the airport's safety challenges and Senai International Airport has implemented a Wildlife Hazard Management Plan ("WHMP") since 2013 to manage this issue. The WHMP is part of the airport's overall Safety Management System ("SMS").

Our WHMP has been effective in reducing the frequency and severity of wildlife strikes. Other measures taken to prevent risks and aircraft accidents caused by bird strikes comprised of passive and active management plans.

Passive Management

a) Periodic grass cutting in airport grassland

Scheduled grass cutting ensures that the airside's grass is maintained at a relatively acceptable height for effective bird hazard control measures.

b) Tree cutting along perimeter fencing area

Trimming and removing shrubs and trees reduces the browse area for mammals, and food source for birds and other animals.

c) Waste bins to be covered at all times

Denying wildlife access to discarded food via well-sealed waste bins helps control wildlife presence in the airport vicinity. Garbage containers are placed in a specially designed outdoor facility (waste transfer station) to prevent wildlife access while spilt waste at garbage loading areas are cleaned promptly.

Active Management

a) Live trapping by Department of Wildlife and National Park (PERHILITAN)

Live trapping method is used for specific individual birds or other animals that could both influence habitat and create an attraction in their own rights.

b) Vehicle patrolling

Regular patrolling along the airside's perimeter area is also conducted to scare and disperse the wildlife (birds or other animals) out of the active aircraft movements area.

Data, Target and Results

To date, no aircraft damage or serious accidents caused by bird strikes have been reported at Senai International Airport since the adoption of WHMP in 2013 and the rate of bird strikes per 10,000 aircraft movement is low at 2.05.

Annual Wildlife Strikes	2017	2018	2019
Number of bird strikes	11	6	12
Bird strikes rate per 10,000 aircraft movement	2.37	1.58	2.05

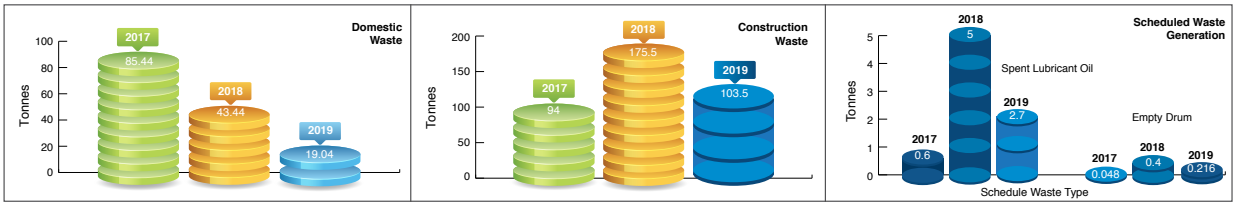
4.2 WASTE MANAGEMENT

Our waste management effectiveness and efficiency are monitored continuously and improved throughout the construction phase of on-going projects. Only licensed transporters are appointed, and all wastes are sent to designated landfills approved by the local authority.

SUSTAINABILITY **STATEMENT**

4.2.1 LANGAT SEWERAGE PROJECT

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



By further increasing our adoption of the Refuse, Reduce, Reuse, Recycle and Recovery ("5R") method, we continue to reduce waste generated year-on-year. In fact, the domestic waste generated in 2019 had been reduced by 56.2% compared to domestic waste generation in year 2018 and 77.7% compared to domestic waste generation in year of 2017.

Similarly, construction waste has also been reduced for FY2019. Beyond 5R implementation, proper waste management at the peak of construction, coupled with comprehensive planning have been instrumental in minimising mistakes and re-work, which has led to reduced wastage.

Scheduled waste also decreased for the second consecutive year (2017-2019). The drop was attributed by the reduction of site activities as the project nears completion. Nevertheless, proper waste generation collection and transportation by licensed third party contractors was practiced as part of the overall efforts to continue championing the 5R approach.

4.2.2 SENAI INTERNATIONAL AIRPORT

Waste generated in Senai International Airport includes municipal waste, construction and demolition, deplaned waste, and scheduled waste. Such wastes are managed and treated in compliance to Department of Environment's ("DOE") Regulation 5 of Control of Pollution from Solid Waste Transfer Station and Landfill. Senai International Airport continues to uphold effective waste management as per the initiatives mentioned below:

- **Increased Waste Collection Schedule**

  Senai International Airport has appointed an additional and independent waste contractor to support the local authority waste contractor in ensuring that waste is collected promptly as per the set daily schedule. This is in line with the commitment to to ensure the airport's hygiene and cleanliness to prevent the infestation of rodents and other pests as well as the spread of diseases.

- **Data Collection**

  Senai International Airport collects data to analyse trends and patterns pertaining to waste produced by the airport community as well as waste collection frequency to drive further efficiencies in waste management across the airport.

- **Engagement with the Airport Community**

  Beyond waste collection, we continue to engage our airport community on encouraging proper waste disposal, keeping toilets clean and the proper use of facilities which is outlined in a clause in the Tenancy Agreement.

- **Weekly Plastic Bag Free Day**

  Senai International Airport has implemented a Weekly Plastic Bag Free Day campaign on every Saturday to discourage the usage of single-use plastic bags.

- **Data, Target and Results**

  Since the implementation of the aforementioned initiatives, Senai International Airport has reduced waste by 21.7% to record 658 tonnes in year 2019. The number has also significantly decreased in 2019 due to completion of terminal renovation works that took place in 2018.

Waste Collection	2018	2019
Total Waste Discharge (tonnes)	840	658
Year-on-Year Change (%)	-	-21.7

4.3 ENERGY CONSUMPTION

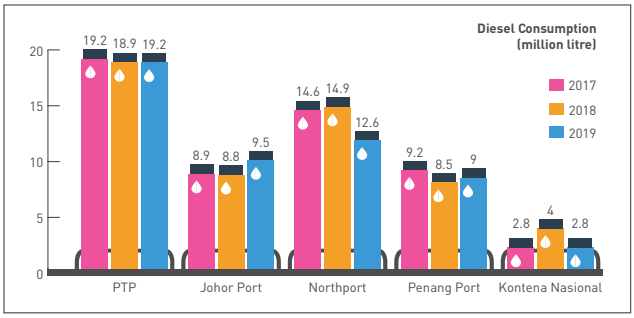
Our disclosure on energy consumption covers our Ports and Logistics operations as well as operations of Senai International Airport. As we continue to actively reduce energy consumption within our operations, we also explore opportunities to encourage our supply chain and stakeholders to reduce their energy consumption.

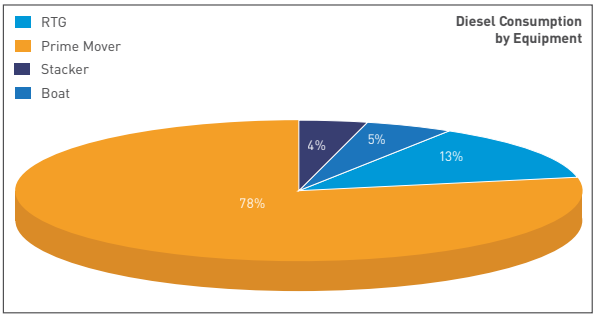
4.3.1 MMC PORTS

Ports typically have a high-energy consumption profile, due to the use of electricity and diesel in terminal operations. Consequently, the high consumption of electricity and diesel translate into carbon emissions and greenhouse gases ("GHG"). Electricity is mainly consumed by reefer blocks, high mast lights, building infrastructures, quay cranes and electrified rubber-tyred gantry ("RTG") cranes. Diesel is utilised to operate prime movers, tugboats, convention engine RTG cranes, pilot boats, pickups and forklifts.

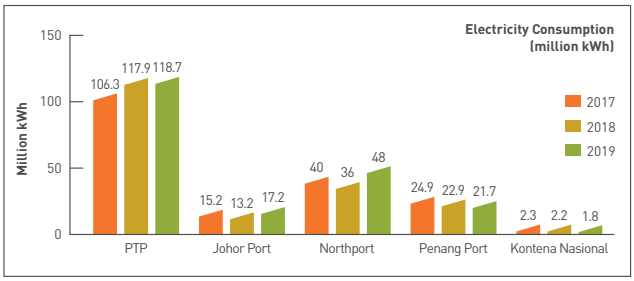
Despite the heavy energy profile of our operations and growth in activities, we are happy to report that diesel consumption in our ports is generally consistent year-on-year. We have taken some operational initiatives to optimise the prime mover paths and bought several hybrid equipment to achieve fuel savings and efficiency.

Diesel Consumption (million litre) for ports, including pilot and tugboat usage





Electricity Consumption Usage (kWh)



Electricity consumption is slightly higher for both PTP and Johor Port due to increased throughput volume from previous year. Northport electricity consumption increased in 2019 due to the additional 6 ZPMC cranes used in wharf operations and the inclusion of electricity consumption within Northport's extended footprint area.

Key Initiatives by Ports and Logistics for Energy Efficiency

Ports	Initiatives
PTP	• Working baseline data energy consumption for improvement or reduction target. • Using Electrified-Rubber Tyred Gantry ("E-RTG") for the current fleet. • Working baseline emission CO_2 data for improvement or reduction target.
Johor Port	• For the prime movers, the focus has been on improving the fuel efficiency of the vehicles. Engines older than five years and prime movers exceeding 10 years old are replaced with newer models. • RTGs shutdown initiatives i.e. minimise deployment of RTGs in certain shifts.
Northport	• Implement Sustainability Energy Management System ("SEMS") to manage Northport's energy consumption via clear energy conservation goals and policy, trained workforce and responsible energy usage by employees. • Replacement of High-Pressure Sodium Vapour ("HPSV") lightings to Light Emitting Diode ("LED") lightings for five units of Quay Crane's trolley floodlight in 2019.
Penang Port	• 100% usage of LED for three high mast light at Penang Port's terminals, i.e. North Butterworth Container Terminal, Butterworth Wharves and Prai Wharf. • Replacement of conventional RTGs with new hybrid RTGs scheduled in 2020.
Kontena Nasional	• Replacement of damaged transparent roof in warehouses phase by phase to promote natural lighting. • Light switch zoning was implemented and promotes optimisation of office space utilisation. • Maintenance work for prime movers were carried out in accordance to the user manual and recommendation by the manufacturer.

4.3.2 SENAI INTERNATIONAL AIRPORT

Senai International Airport remains highly motivated towards becoming a green and sustainable airport for Johor and Malaysia. In realising this aspiration, various energy conservation measures continue to be implemented:

- **Energy Saving Lights**

  Senai International Airport has been gradually replacing indoor conventional light bulbs to LED variants with the target to have 100% LED lighting by 2021. As of December 2019, 70% of the indoor conventional light bulbs have been replaced. This initiative has enabled energy savings of approximately 482,968kWh per year – equivalent to 335,180 tonnes of carbon emissions reduced per year. The initiative will be extended to outdoor street lighting and high masts, with the outdoor portion of the replacement slated for completion by 2022.

- **Variable Refrigerant Volume ("VRV")**

  The VRV air conditioner system installed at the Senai Business Aviation Terminal utilises the environmentally friendly R410A refrigerant. The system relies on a precise individual control and inverter technology, which minimises energy consumption to deliver optimum energy savings.

- **Switch Off Timer**

  17 Air Handling Units located throughout the airport have been fitted with switch off timers to control energy consumption in terminals, especially in controlling air conditioning and lighting during operational hours.

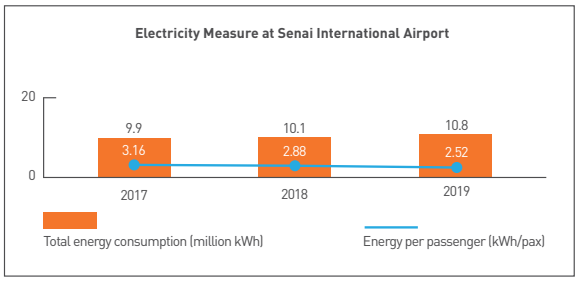
- **Electricity Monitoring Programme ("EMP")**

  Monitoring electrical power factor adds to the efficiency of electrical equipment. Essentially, EMP reduces demand charges and power system losses while increasing load-carrying capabilities in existing circuits and reduces carbon footprint.

Data, Target and Results

These and other efforts have consequently led to an improved energy intensity or efficiency profile at Senai International Airport. Electricity consumption per passenger decreased by 11.9% year-on-year to 2.52 kWh/pax

Electricity Measure	2017	2018	2019
Total electricity consumption (million kWh)	9.9	10.1	10.8
Total passenger (international & domestic)	3,124,799	3,522,576	4,270,576
Electricity usage per passenger (kWh/pax)	3.16	2.86	2.52
Growth of Electricity per passenger (%)	-12.5%	-9.5%	-11.9%



4.4 WATER CONSUMPTION

To ensure best practice of water management, the Group regularly tracks and continues to efficiently manage water consumption. The data collected are from our Ports and Logistics, Engineering, Industrial Development and Corporate Offices.

Division	2017	2018	2019
Ports and Logistics	4,897,736	5,278,189	4,790,507
Engineering *(Projects)*	2,567,840.9	88,992.4	42,522
Industrial Development	14,516	16,813	24,565
Corporate Office *(Wisma Budiman & Wisma Zelan)*	8,678	8,214	7,936
TOTAL (m^3)	**7,488,400.9**	**5,392,208.4**	**4,865,530**

The downtrend of water consumption on the Ports and Logistics Division from year 2018 to 2019 was mainly due to less water usage for equipment cleaning and lesser freshwater supply to vessels at the ports. For the Engineering Division, the decrease of total water consumption was due to the completion of Langat 2 Water Treatment Plant project. As for the Industrial Development Division, there was a slight increase of water consumption due to the construction of Sungai Pulai Bridge. In the Corporate Office (Wisma Budiman), new piping system was installed in 2019 as part of the measures taken to lessen water consumption in the building and to replace leaking pipes that contributed to higher water consumption for the previous years.

4.5 ENVIRONMENTAL MONITORING

4.5.1 LANGAT SEWERAGE PROJECT

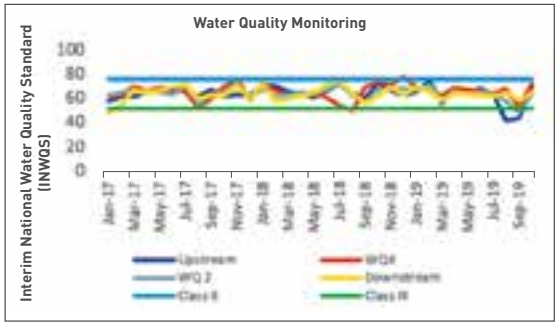
Our disclosure on water and related topics is specifically material to our Langat Sewerage project and other water and wastewater operations. The following data reflects our continuous efforts to ensure compliance with statutory requirements and industry benchmarks.

- **Monthly Water Quality Monitoring**

  Sampling and monitoring of Total Suspended Solids, Turbidity, Biological Oxygen Demand and Chemical Oxygen Demand are conducted for Sungai Langat water. The water quality results are compared with Class III, National Water Quality Standard for Malaysia in accordance with the requirements set out by the DOE.

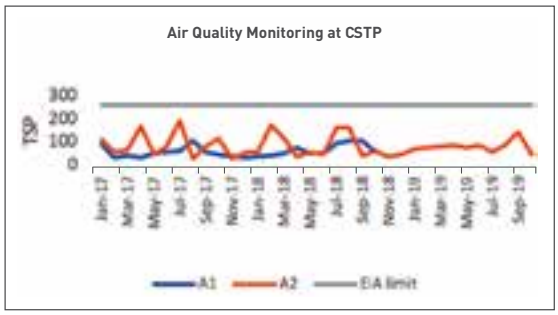
SUSTAINABILITY **STATEMENT**

The water quality results monitoring for 2019, presented as Water Quality Index ("WQI") are shown in the graph below:



Generally, the water quality monitoring data indicates that data from all monitoring points comply with Class III water quality, as stipulated by DOE.

The water quality of Sungai Langat is preserved through the provision of adequate control measures such as silt fences, sandbags and silt ponds, which undergo periodic maintenance.



- **Air Quality Monitoring**

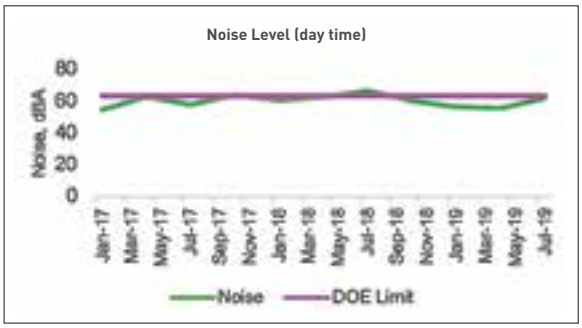
  Concerning Air Quality Monitoring, the test results in the diagram indicates that air quality measured in terms of Total Suspended Particulate matter ("TSP") is well below the threshold set by DOE throughout the construction phase.

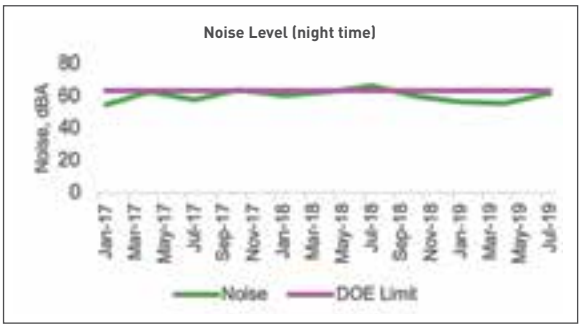
  Current practices such as dust suppression using a water bowser to dampen the access roads, maintaining low speed limit within the work areas and covering the lorries transporting soil, will be maintained to preserve ambient air quality. In addition, turfing and landscaping of completed work areas are carried out as part of the overall air quality monitoring and maintenance measures.

Dust on site was controlled by water suppression during dry weather

- **Noise Level Monitoring**

  The Average Noise Level ("LAeq") continues to be monitored for a 24-hour period on a monthly basis. The data collected is then compared against the limit set by the DOE. The LAeq index (daytime and night time) are given as follows:





The average noise level recorded during the day and night at both monitoring locations are generally below the DOE's limit. There was a slight increase attributed to festive activities by surrounding villagers during that time. The project carried out the following to control noise level:

- Carried out noisy construction activities only during daytime (whenever possible),
- Imposed vehicle speed limits, particularly on heavy vehicles, and
- Ensured all machinery are switched off when not in use

The aforementioned practices will continue to be implemented and continuously improved on to ensure that noise levels remain within DOE's acceptable range.

4.5.2 SENAI AIRPORT CITY

A comprehensive EIA was undertaken by appointed third party consultant for all projects that come under Section 34A (2) of Environmental Quality Act 1974. The said EIA was submitted on 30 May 2008 and was approved on 4 July 2008 by the DOE. In addition, we remain vigilant of our responsibilities in complying with regulations that govern environmental protection.

Subsequent to the EIA approval, an EMP was carried out and approval was obtained on 28 August 2009. The monitoring programmes at Senai Airport City are Water Quality, Noise Level and Air Monitoring. The results of the monitoring programme are as below:

The monthly monitoring results for Water Quality from 2017 to 2019 recorded that the WQI at Senai Airport City was within the Class II (slightly polluted) and Class III (polluted) limits. This is within the baseline established prior to the start of construction. These results are also influenced by other outside sources since the monitoring equipment are located at the site boundaries.

The quarterly results for Air Quality Monitoring Programme conducted from 2017 to 2019 shows that air quality levels are within the Malaysian Ambient Quality Guidelines.

The quarterly result for Noise Level monitoring recorded from year 2017 to year 2019 shows that the noise levels at Senai Airport City did not exceed the limit and are in compliance with The Planning Guidelines for Environmental Noise Limits and Control.

4.5.3 TANJUNG BIN PETROCHEMICAL AND MARITIME INDUSTRIAL CENTRE

The EIA study for the Tanjung Bin Petrochemical and Maritime Industrial Centre site was approved by the DOE on 23 July 2007, while the EMP was approved on 18 February 2009. Presently, the monitoring programme carried out at Tanjung Bin Petrochemical and Maritime Industrial Centre is for water quality based on the WQI. The results of this monitoring programme at its site is shown below:

The monthly results for water WQI from year 2017 to 2019 shows that Tanjung Bin Petrochemical and Maritime Industrial Centre's WQI is within Class II and Class III limits which is in line with the original baseline established prior to construction implementation.

4.6 COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Third Party environmental audits are performed annually to ensure both sites at Senai Airport City and Tanjung Bin Petrochemical and Maritime Industrial Centre comply with environmental laws and regulations. Based on the environmental audit report carried out, there were no incidents of non-compliance for Senai Airport City and Tanjung Bin Petrochemical and Maritime Industrial Centre Developments for FY2019.

5.0 SOCIAL PILLAR

Our social disclosures are scoped to the MMC workforce across our business divisions as well as the society at large, whom we interact with and potentially impact via our business operations.

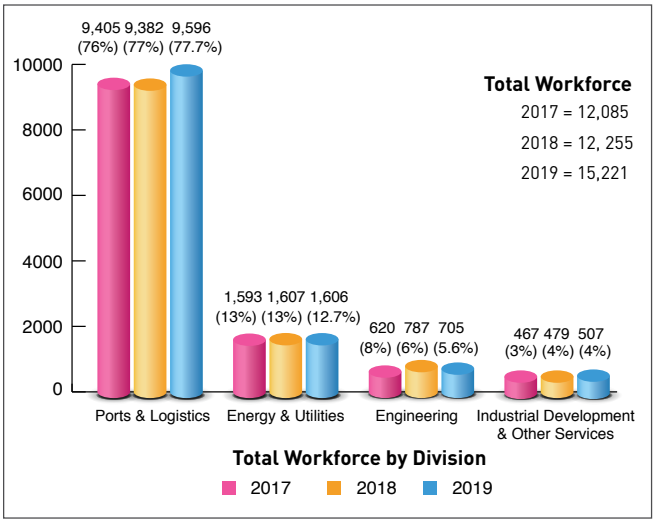
5.1 OUR APPROACH TO TALENT MANAGEMENT

The Group views its talents as a core asset of its business and people are placed at the heart of the organisation. The Group believes that it is the workforce, which provides the innovation, drive and ideas to power the Group's sustainability; the ability to create value over time and to compete effectively in an ever-increasing competitive marketplace. Given this scenario, MMC's approach to talent management and development is to focus on four key elements:

The above approach is aimed at ensuring a motivated and competent workforce across the organisation, leaders with distinctive attributes, talents who are equipped with the necessary skill sets and employees who live up to the MMC corporate values.

5.2 OUR WORKFORCE

The Group's total employee headcount has been steady which can be attributed to MMC's business performance in general coupled with positive organisational structure and a compelling employee value proposition that creates a conducive working environment.



* MMC's total workforce as at 31 December 2019 is 15,221 with the acquisition of Alam Flora Sdn Bhd

The Group's attrition rate remains significantly lower than the national average, with FY2019 recording 6.39%. This is a noteworthy development given that employee retention is vital to MMC reinforcing its competitiveness in the rapidly evolving business environment amidst intensifying challenges.

Attrition Rate	2017	2018	2019
National	19.5%	11.8%	11.0%
MMC Group	4.52%	7.24%	6.39%

National attrition data source: National Statistics Department

5.3 DIVERSITY AND INCLUSION

We are an organisation with a diverse workforce, and we value inclusivity in our workplace. The principle of workforce diversity and inclusivity is to foster growth through new thinking and ideas. This is reflected in our concerted approach to cultivate equal opportunities for employees irrespective of gender or age group and to encourage different views, ideas and opinions to emerge from our people.

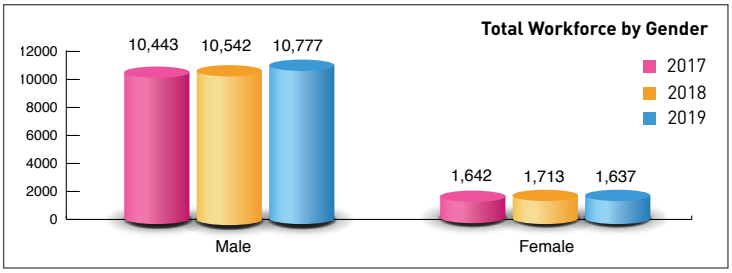
5.4 NON-DISCRIMINATION

Employee hiring is conducted through a fair and transparent process strictly based on the candidate's merit and suitability for the job. We do not discriminate against age, nationality, religion, gender, cultural, social status, disabilities, etc. Developments, promotions and rewards for our employees are based on merit. We are also dedicated to maintaining a safe and harassment-free workplace through awareness and education on the Code of Ethics and Whistle-blower Policy during induction and learning programmes.

Employment of minors is strictly prohibited as per regulations under the Children and Young Persons (Employment) Act 1966 Malaysia. All third parties who conduct hiring process for and on behalf of the Group are also expected to uphold similar adherence to the regulations.

SUSTAINABILITY **STATEMENT**

Age Distribution	2017	2018	2019
50 years & above	13%	12%	11%
30 to 49 years	57%	59%	58%
Below 30 years	30%	29%	31%



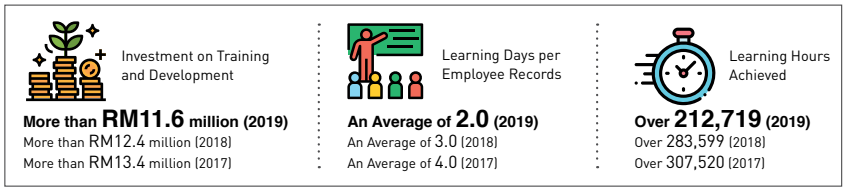
Given the nature of our business operations, men comprise the larger portion of our workforce. Our business involves substantial amount of operational work, which contributes to a high percentage of composition imbalance between male and female employees.

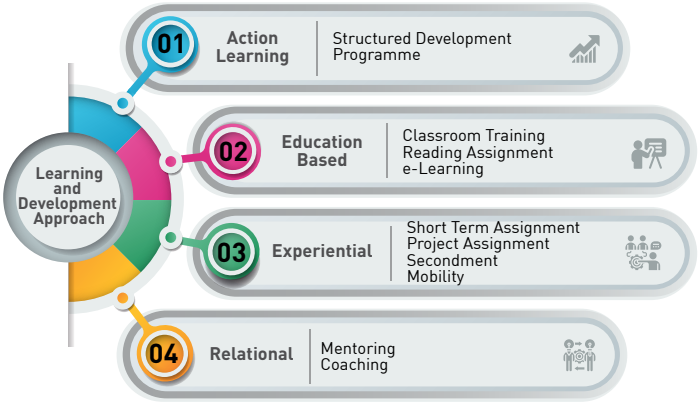
Women in Management	2017	2018	2019
Percentage of Women Senior Manager and Above in the Workforce	18%	18%	20%

However, women are granted equal opportunities for professional development and career advancement. In 2019, we could see an upward trend in women employees in key positions including senior manager roles and above.

5.5 LEARNING AND DEVELOPMENT

The Group continues to invest substantially in the development of its employees. Employees' learning and development is planned to support their learning needs and to build long-term capabilities for the organisation.





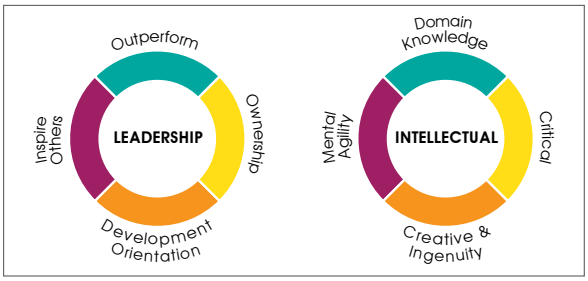
A pilot on e-Learning was introduced in FY2019 to instil the idea of continuous and agile learning as well as to empower employees on taking charge of their own professional development. A total of 13 online topics were provided to the employees consisting of functional, leadership and personal development topics. Our mentoring programme is further enriched with the inclusion of reading assignments. Employees under this programme were assigned with reading assignments for discussion with their mentors. Under the banner "For Those Who Want to Lead, Read", the mentoring programme is still ongoing to inculcate the reading habit among employees, encourage intellectual discussions and improve critical thinking skills of our people, as well as their ability to articulate thoughts and opinions.

5.6 SUCCESSION PLANNING

Developing a talent pipeline to ensure the next echelon of leaders across the organisation is key to our sustainability. As such, succession planning is an important component of MMC's approach to talent management.

In 2019, we continued to enhance our succession plan with the establishment of a Talent Council at each of the Group's operating companies. The council will facilitate a more thorough assessment and in-depth discussion on existing talents. We aim to ensure incremental percentage on Ready Now to Within One Year talents with achievement on succession realisation for vacant critical positions.

In 2018, our succession coverage was at 76% and 2019 is 90%. The existing attrition of potential talents from the programme remains very low and continues to decline – 2018 (0.04%) and 2019 (0.02%). Employees who are in the succession pool are developed against our leadership and intellectual dimensions that encapsulate MMC Group's competency model.



5.7 OCCUPATIONAL HEALTH AND SAFETY

The Group is committed to the health, safety and welfare of its employees, contractors, clients, visitors and neighbours. We believe that accidents and injuries are preventable. Our view is that health and safety are achieved by choice, and not by chance.

Zero accident remains our goal and we consider employees, contractors and stakeholders as part of the team to achieve this. We are steadfast in continuously improving our Health, Safety and Environment ("HSE") standards Group wide. We comply with existing regulatory and statutory requirements. Beyond this, we continue to inculcate HSE as an intrinsic part of our organisational culture and inherent to the MMC way of performing our jobs

5.7.1 SAFETY AND HEALTH MANAGEMENT FOR CONTRACTORS AND SUBCONTRACTORS UNDER MMC GROUP

Operating companies within MMC Group work with a sizeable number of contractors and subcontractors. Prior to their engagement by the operating companies, pre-qualifying screenings were conducted on them to ensure safety and health standards and rules are fulfilled and the performance levels are met. In addition, continuous engagements, awareness sessions, training programmes, periodic inspections and safety and health audits are carried out throughout the period of the contract.

5.7.2 FOUR MAIN FOCUS AREAS

These four areas will be our focus in driving our HSE performance:

Management System • Enhancing HSE Management System, policies and procedures. • Developing dedicated standards on risk management for effective hazard control.	**Compliance with Standards** • Enhancing compliance with HSE standards. • Investigating all incidents, dangerous occurrences and near misses to ensure no recurrence in the future. • Conducting regular audits for improvement of systems and processes.
Leadership and Commitment • Improving visibility of HSE initiatives and commitment among senior management. • Providing support and resources to HSE personnel. • Enhancing HSE reporting system to improve safety and health at workplace.	**Awareness and Promotional Campaigns** • Embedding strong HSE culture among all employees and contractors. • Promoting HSE culture by active engagement with employees and contractors. • Embedding HSE in new employee induction programmes.

SUSTAINABILITY **STATEMENT**

5.7.3 HSE PERFORMANCE

The above four main focuses are further measured with the number of Lost Time Incidents ("LTI") that were monitored on monthly basis and subsequently translated into the Average LTI Frequency ("ALTIF") for comparison. Below is the HSE performance from 2017 to 2019. The numbers shown are a consolidation of monthly HSE data by the operating companies and their respective contractors and subcontractors.

LTI	2017	2018	2019
Fatalities	4	2	4
Injuries	50	50	69
Total LTI Cases	54	52	73
ALTIF	0.683	0.599	0.815
Manhours (million)	79.11	86.81	89.53

The LTI table above excludes Malakoff and Gas Malaysia

5.7.4 HSE ACTIVITIES HIGHLIGHTS

MMC GROUP HSE DAY

MMC Group HSE Day 2019 was held on 24 October 2019 with 'Work Safe, Get Home Safe' being chosen as its theme where the Group Safety Video and Group Safety Rules were launched by the Group Managing Director. This is an annual event organised by the Group and is participated by Pelabuhan Tanjung Pelepas Sdn Bhd, Johor Port Berhad, Penang Port Sdn Bhd, Northport (Malaysia) Bhd, Senai International Airport, Kontena Nasional Berhad, Gas Malaysia Berhad, Malakoff Corporation Berhad and MMC Oil and Gas.

The objectives of MMC Group HSE Day are to:

- Continue inculcating a strong HSE awareness culture among Group employees and stakeholders
- A demonstration of MMC's strong HSE commitment
- Develop rapport with Government agencies, local authorities, NGOs and other stakeholders

PELABUHAN TANJUNG PELEPAS GLOBAL SAFETY DAY

PTP Global Safety Day was held in conjunction with APM Terminal Global Safety Day 2019 and attended by more than 700 PTP employees, contractors and customers. 'Learning Team' was chosen as the theme for this campaign which emphasised on the importance of employees' safety engagement in supporting PTP's drive to elevate safety benchmarks to new heights.

NORTHPORT AND KONTENA NASIONAL IN DOSH'S WORKPLACE ACCIDENT FREE WEEK 2019 ("WAFEW 2019")

Northport and Kontena Nasional participated in WAFEW 2019 programme organised by the Department of Safety and Health in conjunction with National Occupational Safety and Health Week 2019. Among the content of the programme were Hazard Identification, Risk Assessment and Determining Control Refresher training, HSE Awareness training among drivers, evacuation drills, workplace assessments, toolbox meetings, and participation in "Vision Zero Conference 2019".

KONTENA NASIONAL DRUG SCREENING PROGRAMME 2019

Kontena Nasional organised the Drug Screening Programme 2019 at their headquaters and all branches in collaboration with Agensi Anti Dadah Kebangsaan to ensure employees are free from drug abuse as stated in the Kontena Nasional's Drug and Alcohol policy.

5.7.5 KEY HSE INITIATIVES

Below are several key HSE initiatives implemented within MMC Group;

- PTP 'Fatal 5 Standards' – Five top risks were identified and assessed and minimum controls were defined and benchmarked against relevant standards. The objective is to provide a safer workplace to all PTP port users.

- PTP 'Visual Safety Standard Manual' was developed as part of PTP's Safety Transformation journey. The objective is to assist employees and contractors to conform with safety Do's and Don'ts while working in PTP.

- PTP 'Port Safety Passport' was initiated in collaboration with National Institute for Occupational Safety and Health ("NIOSH"). The objective is to develop a comprehensive HSE training programme for port workers and to cultivate the desired safety culture within PTP.

- Northport achieved and implemented 'ISO 45001 Certification' to better manage its HSE risks in core and support processes, equipment and people and to provide a better platform to assess and improve workers safety and health whilst further reducing the risk of injury, illness and death.

- Northport implemented 'Speed Limit Enforcement with Speed Gun' to reduce the number of accidents due to speeding at several hot spots within the terminal.

- Northport conducted various leadership and education programmes to enhance HSE awareness throughout the organisation. Activities such as management walkabouts, Safety Council meetings and Mega OSH Toolbox sessions involved heads of divisions and reflect Northport's commitment in ensuring a safe and healthy workplace.

- Johor Port reviewed the 'SOP for Incident Notification and Investigation' to raise the standard of work practices and simultaneously establish standard guidelines for accident investigation and reporting at department level to ensure effective corrective action is taken.

- Johor Port established 'HSSE Score Guideline' for annual vendor performance evaluation.

- Johor Port set an objective to reduce property damage commencing in August 2019. Johor Port has set a target to ensure the loss or damage of properties due to accident should not exceed 0.1% of the total revenue.

- Penang Port increased the frequency of Management Safety Walk ("MSW") to five times per month. The MSW coverage include North Butterworth Container Terminal ("NBCT") Wharf Area, NBCT Yard Area, Butterworth Wharves and Vegetable Oil Tanker Pier, Prai Bulk Cargo Terminal, Prai Wharf as well as Penang Port's Headquarters building and Swettenham Pier Cruise Terminal.

- Penang Port introduced 'HSE Key Performance Indicators' using tangible indicators for employees and port users to easily understand and appreciate. The approach is to use 'Number of Days Without Lost Time Injury' instead of number of man-hours. The target for 2019 is to achieve 100 days without LTI as the indicator equivalent to 1.2 million man-hours. For comparison, the KPI for 2018 was 1 million man-hours without LTI.

- Senai International Airport collaborated with Johor Health Department to combat the spread of pandemic viruses such as African Swine Fever, MERS-CoV, and others. Both parties are also in collaboration on tuberculosis prevention programme among the communities.

- Senai International Airport collaborated with the Airport Health Department Office and other agencies such as the Kulai Municipal Council and Health Department of Kulai on 'Zero Vectors' programme to mitigate issues of flies, mosquitoes and rodents.

5.7.6 ROUTINE HSE ACTIVITIES

In 2019, we continued to enhance our safety performance by strengthening the implementation of routine HSE activities throughout the Group. Among the routine activities were:

- Regular (daily and weekly) safety talks and toolbox briefings
- Weekly and monthly HSE Joint Management workplace inspections and walkabouts
- Monthly Safety and Health Publications at operating companies and the Group level
- Quarterly Group HSSE Meeting to share the HSE experiences and discuss HSE strategies within the Group
- Monthly Safety Council meetings at operating companies' level
- Regular training sessions on HSE competency and awareness among employees and contractors
- Safety awareness briefing for port users including tenants and external hauliers
- Continuous HSE engagement sessions with internal and external parties
- Emergency Preparedness Training for Emergency Response Team, including basic first aids, emergency evacuation, etc.

6.0 CORPORATE SOCIAL RESPONSIBILITY

The Group continues to fulfil its role as a responsible social citizen by continuing to reach out to the community and to create a positive impact via the various corporate social responsibility ("CSR") programmes, activities and events held in FY2019. Our CSR efforts are based on three root pillars: Education and Community Development, Human Capital Development and Environmental Preservation. Details on the initiatives can be found on page 164.

MOVING FORWARD

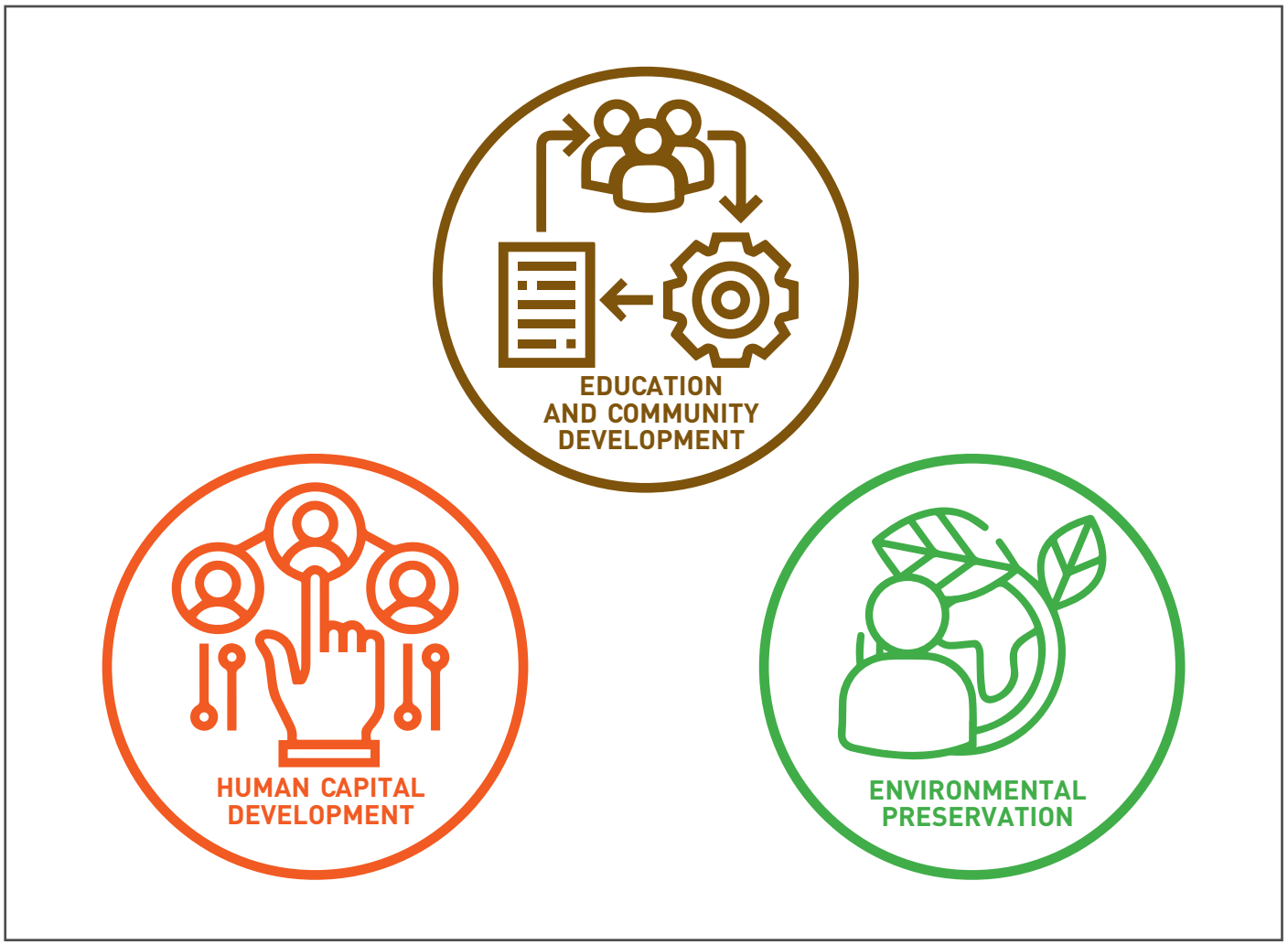
The Group has made significant progress in its sustainability journey in 2019. We are mindful of the other milestones that we continue to journey towards in enhancing our commitment to EES.

Given the size and diverse nature of the Group's business, the future is full of opportunities and possibilities. The Group will continue to grow together with our stakeholders - enriching lives, generating new employment, creating good business prospects and providing support to communities.

CORPORATE SOCIAL RESPONSIBILITY

As a leading utilities and infrastructure group with diversified businesses, MMC Corporation ("MMC" or "the Group") continues to drive its Corporate Social Responsibility ("CSR") agenda towards delivering improved outcomes for society and environment.

As in previous years, our CSR approach is driven by our passion for Education and Community Development, Human Capital Development and Environmental Preservation.



CORPORATE SOCIAL **RESPONSIBILITY**

EDUCATION AND COMMUNITY DEVELOPMENT

Key to building a sustainable future for the nation and communities is the continuous education of the young, the inculcation of appropriate values and providing opportunities to develop not just the skills of tomorrow's generation, but also equipping them with a conducive mindset towards becoming world-class talent that support nation building.

Similarly, community development is also essential in ensuring that the fruits of socio-economic progress is shared by all segments of the community; that socio-economic growth is equitable and empowers everyone towards realising a better quality of life.

Our Education and Community Development initiatives are centred on realising these far-sighted aspirations. In particular, we have continued to focus on the education and development of underprivileged children and youths in the various communities that we operate in.

Employees are encouraged to participate in our activities as these outreach activities do not just benefit society, but also helps to strengthen employee teamwork, organisational culture and create a stronger *espirit de corp* that fosters unity and a shared vision towards common goals.

JANUARY

2 January
Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) organised a Back to School Programme for 170 primary and secondary underprivileged students in Iskandar Puteri area and provided brand new school essentials

9 January
MMC Pembetungan Langat Sdn Bhd (MMC PLSB) hosted visitors from Infrastructure University Kuala Lumpur for a mini seminar and educational visit to the Langat Sewerage Project site office

24 January
Seaport Worldwide Sdn Bhd (Seaport Worldwide) together with MMCES-CHEC JV organised an educational visit and knowledge sharing session for Universiti Teknologi Malaysia (UTM) and Universitas Bung Hatta Indonesia on the Sungai Pulai Bridge Project

24 January
Penang Port Sdn Bhd (Penang Port) donated 10 desktop computers to SMK Abdullah Munshi, Geogetown

30 January
Northport (Malaysia) Bhd (Northport) organised a visit to the National Autism Society of Malaysia in Bandar Puteri, Klang in conjunction with the Chinese New Year celebration

FEBRUARY

16 February
MMC Corporation Berhad (MMC Group) organised a visit to YS Charity Foundation, Petaling Jaya in conjunction with the Chinese New Year celebration

18 February
Gas Malaysia Berhad (Gas Malaysia) held a cheque handover ceremony to Yayasan Pelajaran Mara, to commemorate Gas Malaysia's partnership with Majlis Amanah Rakyat to assist low-income B40 school students

21 February
Senai Airport Terminal Services Sdn Bhd (Senai International Airport) in collaboration with volunteers from an aviation club, Terbang & Teroka, hosted 40 aspiring aviators from SK Senai and SK Kulai

CORPORATE SOCIAL **RESPONSIBILITY**

MARCH

4 March
Penang Port contributed teaching materials to SM Agama Ibrah and SMK Datuk Onn as part of the MMC Smart Circle programme

13 March
MMC PLSB hosted engineering students from Universiti Tunku Abdul Rahman (UTAR) for a mini seminar and educational visit to the Langat Sewerage Project site office

14 March
MMC Group's operating companies in the Southern Region mobilised assistance to help ease the chemical pollution recovery in Pasir Gudang, Johor

23 March
Northport participated in the Selangor Education Tour 2019 in support of Selangor State Government's Youth Development Programme

APRIL

8 April
PTP collaborated with the Johor State Government to spread the spirit of goodwill to more than 300 underprivileged families in Kampung Felda Ulu Tebrau, Johor

26 April
MMC Engineering Sdn Bhd (MMC Engineering) through its Konsortium MMC SPPM Sdn Bhd organised a CSR programme in conjunction with Ramadan month and distributed food packages and cash donations to 100 underprivileged families in Kampung Kepala Bendang, Tualang, Kedah

26 & 27 April
Malakoff Corporation Berhad (Malakoff) organised *Program Motivasi Kecemerlangan UPSR Mukim Serkat 2019* for 136 Mukim Serkat students as part of the preparation for UPSR

27 April
MMC Group organised a visit to Rumah Nur Sakinah, Bandar Pinggiran Subang in conjunction with Ramadan month

MAY

15 May
Johor Port Berhad (Johor Port) shared the blessings of Ramadan with 150 underprivileged children and *zakat* recipients at an *iftar* event

16 May
MMC Group embraced the spirit of giving and sharing by distributing essential goods to underprivileged individual and families in Dun Sikamat, Negeri Sembilan during Ramadan

16 May
PTP continued its annual tradition in spreading goodwill by distributing 3,000 packets of *bubur lambuk* to adjacent communities and held an *iftar* feast for 100 elderly of Rumah Seri Kenangan, Johor

16 May
Johor Port partnered with Lembaga Pelabuhan Johor (LPJ) to organise *Bubur Lambuk Perdana 2019* and distributed a total of 3,700 packets of *bubur lambuk* to employees, port's tenants and Pasir Gudang community

23 May
Senai International Airport shared the joy of Ramadan with 40 orphans from SK Senai and SK Senai Utama for an iftar event

24 May
Aliran Ihsan Resources Berhad (AIR Berhad) held an *iftar* session with the underprivileged community of Bukit Semanggol, Perak

24 May
Gas Malaysia organised *Majlis Berbuka Puasa* to honour the blessed month of Ramadan with the children of Pusat Jagaan Cahaya Kasih Bestari, Subang

24 May
Northport organised the annual Ihya' Ramadan programme to celebrate the holy month of Ramadan and handed over financial assistance to the widows and orphans of deceased Northport employees and 10 mosques located within their business operation

CORPORATE SOCIAL **RESPONSIBILITY**

26 May
Senai International Airport organised the MMC Prihatin *Hari Raya* aid contribution and distributed packages to 100 *asnaf* recipients at Kertih Airport

27 May
PTP together with LPJ continued bringing festive cheer to 240 underprivileged families through its annual PTP-LPJ *Tijarah* Ramadan

30 May
Employees of Penang Port displayed their spirit of giving and sharing by donating to the JOM SHARE campaign that ran from 1-30 May 2019

31 May
Northport reached out and distributed personal care items, new clothes and food items to the homeless community in Port Klang in conjunction with *Hari Raya* festive season

JUNE

30 June
Northport reached out to the Carey Island community by participating in the community's programme and distributing *zakat* assistance to the *asnaf* group of Orang Asli

JULY

2 July
Johor Port donated 25 refurbished computers to SK Taman Megah Ria and SK Taman Rinting 1 during the JPB Bright Tech Programme that aims to narrow the digital divide and provide the opportunity for digital learning amongst suburban elementary school students as well as the less fortunate local communities

27 July
MMC Group visited the patients of Hospital Orang Asli, Gombak as part of its CSR initiative programme

AUGUST

3 & 4 August
Northport organised an Examination Preparation Programme for PT3 and SPM students for the employees' children and underprivileged students from selected schools nearby Northport's operations area

11 August
Malakoff donated four cows to the communities in Segari, Perak and Mukim Serkat, Johor for Aidiladha celebration

24 August
MMC Group's operating companies in the Southern Region, PTP and Senai International Airport organised a Community Day Programme with the Orang Asli community of Kampung Bakar Batu, Johor Bahru, while nurturing the spirit of charity and goodwill among the employees

29 August
Senai International Airport collaborated with Jabatan Kerja Raya Kulai, for the *Kibar Jalur Gemilang* programme in the spirit of the 62nd Merdeka Day celebration

29 August
PTP visited an old folks' home; Rumah Seri Kenangan, Johor Bahru and held several activities to cheer up the residents including food distribution and tidying up their place

SEPTEMBER

7 September
Johor Port organised MTB Jamboree 2019, a charity cycling event to raise the fund for selected schools in Pasir Gudang. More than 1,500 participants from Johor Bahru attended the event

21 September
MMC Group organised an educational visit for students from the Department of Process and Food Engineering, University Putra Malaysia, to Gardenia's factory in Shah Alam

CORPORATE SOCIAL **RESPONSIBILITY**

23 September
Senai International Airport collaborated with various agencies and organised Senai Airport Aero Camp 2019 and attracted 110 students from 16 schools which attracted 110 students from 16 schools around Johor

26 September
Johor Port hosted an educational visit from UNIKL Seri Alam, Pasir Gudang to expose them to port industry

26 September
Malakoff presented a new *mimbar* to Masjid Khairul Jariah, Kampung Segari, Perak to replace its worn out existing *mimbar* and contributed financial assistance for the mosque's maintenance

OCTOBER

8 October
PTP participated in a special career dialogue entitled PTP CEO Industry Talk organised by Politeknik Ibrahim Sultan, Pasir Gudang

15 October
Senai International Airport organised its annual blood donation drive in collaboration with Hospital Sultanah Aminah, Johor Bahru

19 October
Senai International Airport held the first Senai Airport Airside Run 2019 and gathered more than 120 runners from the airport community to participate in the event

21 October
Northport celebrated Deepavali with the underprivileged students of Sekolah Jenis Kebangsaan (Tamil) Pulau Carey Selatan in conjunction with the festive season

22 October
Gas Malaysia was invited by Yayasan Pelajaran Mara to officiate the *Majlis Perasmian Penutupan Program Pintar Harapan Sesi 2019 dan Program Jelajah Pendidikan Luar Bandar* at Maktab Rendah Sains MARA Balik Pulau, Penang

24 October
MMC Group kicked off its Campus Lunch with MMC programme at Universiti Kebangsaan Malaysia, Bangi. The programme was specially designed to provide university students from the B40 group with a full nutritious lunch

30 October
PTP organised a Futsal Clinic and Tournament for seven primary schools students within the Gelang Patah area

NOVEMBER

6 November
Malakoff organised a talk series entitled Better Environment, Better Tomorrow to educate on the importance of environmental preservation for its adopted schools at SK Durian, Mukim Serkat, Johor and SK Segari, Perak

12 November
PTP held a closing ceremony for the company's 2019 English Development Programme designed for Gelang Patah secondary school students

13 November
MMC PLSB organised a Back to School Programme by giving aid to equip 440 underprivileged students with school necessities. These students are from 22 schools located within the Langat Sewerage project network alignment in Cheras and Kajang

20 November
PTP in collaboration with LPJ and Pelepas Terminal Inland Services Sdn Bhd successfully built and handed over their first container library to SK Ladang Pendas, Gelang Patah, Johor

20 November
Johor Port visited Hospital Sultan Ismail Pediatric Ward, in conjunction with Children's Day celebrations

21 November
Johor Port donated printers and digital projectors to SK Taman Rinting, SK Kota Masai 2, SK Kongkong Laut and SK Pasir Putih to help develop their school libraries

CORPORATE SOCIAL **RESPONSIBILITY**

29 November
Gas Malaysia organised a Back to School Programme to provide school necessities for 150 underprivileged school children from Rumah Anak-Anak Yatim Baitul Lathofah, Rawang

30 November – 2 December
Senai International Airport co-organised the Senai Airport Music Weekend for the fourth consecutive year

DECEMBER

10 December
PTP and Johor Port hosted an educational visit port operations for students and lecturers from University of Southern California

14 December
MMC's operating companies in the Southern Region participated in the Laksamana Run 2019 to create better awareness on fighting cancer and supporting cancer patients

27 December
Johor Port organised the *Jom Ke Sekolah 2020* to assist a total of 100 underprivileged students from various schools in Pasir Gudang, Persatuan Kebajikan Al-Zarafee Negeri Johor and the children of Johor Port employees with financial aid and brand-new school supplies

HUMAN CAPITAL DEVELOPMENT

MMC continues to focus on human capital development as a key sustainability and CSR thrust towards nurturing a world-class, competent and professional talent base, towards developing a conducive organisational culture centred on excellence.

We will be able to operate successfully if we ensure the sustainability of our resources and well-being of our employees. The Group embraces diversity and inclusiveness within the organisation, appreciating every person for their abilities and talents while forming a holistic approach to retain diverse talents.

Our concerted effort to constantly develop and nurture the talent pool within the Group is by providing them with career opportunities in order for them to reach their full potential. We get to connect with our employees by creating an approachable and diverse culture, rewarding careers, promoting equality and fairness as well as personal and professional development.

JANUARY

11 January
MMC Group organised a townhall meeting with the employees at its corporate office to share about the latest company updates and as part of the employee engagement session

29 – 30 January
Senai International Airport conducted a two-day training programme on Problem Solving Through Critical Thinking to form an innovative and creative workforce

FEBRUARY

15-17 February
Kontena Nasional Berhad (Kontena Nasional) organised its Operations Retreat Programme at Port Dickson to strengthen the bond between the team members

17 February
Johor Port's Union hosted *Kayuhan Sihat* 2019 to promote a helthy lifestyle among its employees

20–21 February
PTP organised a training on Return to Work Coordinators to create awareness on disability management and provide employees with the the necessary knowledge

25 February
Penang Port organised the Subject Matter Knowledge Sharing Session for the non-operational managers and executives of Cargo Operations and Marine Department, focusing on cargo handling and marine operations as part of its work familiarisation

MARCH

1-3 March
Penang Port held a Management Retreat to further discuss on the company's business strategies and future plans

11 March
Johor Port organised a townhall meeting to engage with employees and share the company's achievements and performance for 2018

CORPORATE SOCIAL **RESPONSIBILITY**

12 March
PTP organised its annual employees townhall which was participated by more than 600 employees

13 March
MMC Group organised a session with the Inland Revenue Board to discuss about *Program Khas Pengakuan Sukarela*, E-Filing and *Potongan Cukai Bulanan* as part of the knowledge sharing session

21 March
Penang Port conducted an in-house training on Phishing and Scam Emails to educate employees on matters relating to scams and phishing

27 March
Malakoff launched 5S initiative at its headquarters and all plants to instil awareness and maintain a clean working environment

28-29 March
PTP conducted a training on Behaviour-Based Mobile Elevating Work Platform for RTG Maintenance section on the correct way of handling the Skylift

APRIL

1 April
Kontena Nasional signed a Collective Agreement between Kontena Nasional Berhad and Trade Workers Union

1 April
Penang Port launched a Container Improvement Journey involving employees in the Container Department and among the activities conducted were formation of a team and partnership to achieve optimum productivity

2-3 April
ISO45001:2018 Internal Audit Training for Internal Auditors was organised for 40 certified internal auditors in Johor Port to introduce them to audit requirements, processes and how to ensure a comprehensive transfer of knowledge

3 April
MMC Oil & Gas Sdn Bhd (MMC Oil & Gas) held a session with their CEO to update employees on the current performance and achievements of the company

12 April
Participants for MMC Leadership Development Programme 2018/2019 presented their Business Project Presentation as part of the 12 months structured development programme for MMC's Group talent pool

16-17 April
Kontena Nasional organised a training on Understanding ISO45001:2018 and Internal Audit to ensure Kontena Nasional operates in a safe and healthy working environment through effective management of risks and occupational safety and health

22-23 April
Senai International Airport conducted the Occupational First Aid and CPR Certification Programme for the first responders to the scene of accidents, as well as fire and medical emergency personnel which provides a comprehensive understanding about first aid and CPR matters

26 April
MMC Group organised a Closing Ceremony Mentoring Batch 1 for 15 Mentors and 33 Mentees from several MMC operating companies which had completed the 18-month mentoring journey.

26 April
Northport organised the Safety and Health Day in conjunction with the World Day for Safety and Health at Work

30 April
MMC Group organised a training called Strategic and Efficient Management of Issues in the Construction Industry. A total of 62 employees from various departments attended the session

30 April
PTP held its annual Safety Day Programme to improve the safety and health culture to reduce work-related incidents in the workplace

MAY

2 May
Senai International Airport conducted a townhall session for 2019 for its employees

10 May
MMC Group organised a Ports and Logistics Talent Dialogue Session as a part of the Group Succession Planning framework and leadership engagement with the senior management team

CORPORATE SOCIAL **RESPONSIBILITY**

15,27 & 30 May
Kontena Nasional organised townhall sessions at all branches as part of its employee engagement programme, to present the company's performance, future plans and presented awards of appreciation to its employees

JUNE

27 June
A total of 15 General Managers and Senior Managers with less than 5 years' experience in Johor Port has been selected to enrol in the 12-month Advance Management Development Programme to enhance and build the confidence and critical thinking of Johor Port future leaders

19-20 June
Kontena Nasional organised two-day training on a Basic Occupational First Aid, CPR & ED, certified by the Department of Occupational Safety & Health (DOSH). The training was designed to train its employees to become a fully qualified First Aider personnel

25-26 June
Malakoff organised a two-day Corporate Liability and ISO 37001 Anti-Bribery Management System Awareness Training and Workshop for its employees

25-26 June
Kontena Nasional organised the Service I.M.A.G.E (Service Interest, Mindsets, Attire Grooming & Etiquette) Programme, aimed to heighten the image and etiquette of the drivers as well as to instill a service mindset when dealing with customers

26 June
MMC Engineering conducted a training on the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 for the internal auditors from various departments and projects to enable them to conduct audits on ISO certifications at company and projects level

28 June
Gas Malaysia held an annual Hari Raya celebration at its Head Office in conjunction with Hari Raya Aidilfitri to strengthen the bonds between employees

JULY

1 July
MMC Oil & Gas organised a Hari Raya Open House to strengthen relationship between its employees

3 July
Malakoff organised a Hari Raya gathering and honouring 42 employees with Long Service Awards in recognition of their dedication and commitment towards the company

5 July
PTP held a triple festive celebration – Hari Raya Aidilfitri, Ngiling Bidai and Kaamatan which attracted more than 1,500 employees in a joyously festive mood to promote unity and harmony among employees

July – August
Northport's Port Auxiliary Police (PAP) in collaboration with its Human Capital Development Department conducted an in-house Port Security Operation Training to all PAP personnel

10 July
Johor Port organised a Retirement Appreciation Day for 42 retiring employees and retirees in 2018/2019 from various department in the Johor Port Group

10 July
Kontena Nasional organised Kill Fire Before It Kills You to create awareness and understand basic knowledge on Fire Prevention and Fire Fighting

8-12 July
Northport participated in the Workplace Accident-Free Week Programme coordinated by the Department of Occupational Safety and Health (DOSH)

16 July
Penang Port signed a new Collective Agreement for the year of 2019-2021 with Penang Port's employees' Union

19 July
Gas Malaysia held a Safety & Health Committee: Gas Malaysia's ISO14001 Environmental Aspect & Impact Register & Scheduled Waste Management Programme with the objective to provide information on environmental aspects and impacts contributed to the business activities as well as better environmental management

23-24 July
AIR Berhad organised a training on Understanding ISO 9001:2015 QMS Internal Audit to provide their internal auditors with the knowledge and skill in internal quality auditing for quality management system

17, 22 & 29 July
Kontena Nasional organised a Defensive Driving Programme with the aim to provide awareness and basic understanding of defensive driving techniques and its application to daily driving

July-August
Kontena Nasional organised HR2U Day with Government bodies/agencies such as EPF, SOCSO ang others with the aim to provide employees with various information services and programmes provided by participating agencies

CORPORATE SOCIAL **RESPONSIBILITY**

AUGUST

5 August
Johor Port organised Talent Appreciation Day with the aim at enhancing and nurturing high potential employees at all levels in the company

8 August
Gas Malaysia held its employee engagement session called Light & Easy with CEO as part of a two-way communication with fellow employees

8 August
Kontena Nasional organised a session on Road Safety Awareness with the aim to reduce road accidents among its employees

13 August
Northport hosted an appreciation dinner for 22 retirees from various divisions and departments at Royal Selangor Yacht Club, Port Klang

20 & 21 August
Malakoff organised the first Malakoff Technical Conference 2019, an initiative to cultivate a knowledge sharing culture between the site offices and corporate office on technical experiences, best practices and lessons learnt

21 August
Northport organised an annual townhall for its employees and more than 200 employees attended the session

30 August
Johor Port organised its biannual employee townhall session aimed at strengthening unity among its employees

30 August
MMC Oil & Gas organised a Kopi O Session with CEO with the objective to allow employees to share their opinions and to get the latest update on the company's direction and future plans

SEPTEMBER

September – October
Seven employees from Kontena Nasional attended a diploma programme in Logistics and Supply Chain Management (Level 4) through the Industry Certification (INDCERT) programme. The programme helped to enhance their skills and knowledge in logistics and supply chain at supervisory management level and to enable the employees to become highly competent

6-7 September
Kontena Nasional organised a Management Retreat to discuss the company's performance, business outlook, future strategy and to strengthen the bond between employees

12 & 25 September
27 employees from Kontena Nasional attended the Schedule Waste Management Programme to understand about the scheduled waste handling system

22 Sept – 20 October
Five prime mover drivers from Kontena Nasional attended the Certificate in Goods Vehicle Driving (Pro Mover) Programme certified by NCFE, United Kingdom. The programme was initiated by HRDF through the INDCERT programme to enable employees to understand the haulage industry, process flow and operational issues

25 September
Gas Malaysia organised its annual Occupational Safety and Health Day themed Turn Fat Into Fit and Eat Well For Less to create awareness towards a healthy lifestyle

25 September
Senai Airport City and Seaport Worldwide in collaboration with Agensi Kaunseling & Pengurusan Kredit organised a financial education programme to provide employees knowledge and understanding of their retirement financial planning as well as awareness on financial wellness

OCTOBER

October – November
Kontena Nasional participated in Activ@ Work Challenge in collaborationn with PERKESO and Book Doc with the aim to help employees to stay active

October – November
MMC Group facilitated a series of workshops on operational contract administration with the objective to assist contract administrators to understand and adhere to contracts and procedures that maximise profits and minimise risks

CORPORATE SOCIAL **RESPONSIBILITY**

2-3 October
Kontena Nasional organised the Basic Emergency Response Plan Training in collaboration with BOMBA. The programme was attended by first responders at all branches with the aim to increase their skills and knowledge on emergency situations

7 October
MMC Port Holdings Sdn Bhd (MMC Port) organised an Advanced Crane Technology Day Conference for more than 30 engineers and technicians under the Ports and Logistics Divisions

9 October
Gas Malaysia conducted a Corruption Free Pledge in an effort to ensure accountability and responsibility are well-established in the company to hinder any form of corruption or misconduct

12 October
PTP together with Kesatuan Pekerja-Pekerja Pelabuhan Tanjung Pelepas organised the Union's 4th Annual General Meeting

16,18, 22 & 25 October
Kontena Nasional organised townhall sessions at its headquaters and branches as part of the employee engagement sessions and to share about the company's performance and future plans

22 October
MMC Group organised the Employee Engagement Survey 2019 Workshop to discuss survey management and implementation prior to the launching of the survey within the Group

23-24 October
Northport organised a Commuting Safety Support Programme for its employees together with SOCSO and the Malaysia Institute of Road Safety Research in conjunction with the MMC Group HSE Day 2019

24 October
Malakoff organised a series of health talks to create awareness on the importance of injury prevention at the workplace and to ensure a healthy workplace within the company

24 October
Johor Port organised a closing ceremony for 21 employees who had successfully completed the UNCTAD Certificate in Modern Post Management

24 October
Johor Port organised HSE Day 2019 in conjunction with Johor Port HSE Week that included health and safety talks, exhibition as well as health screening

25 October
Kontena Nasional conducted its third quarter townhall session at four different branches with participation of more than 500 employees

NOVEMBER

14-15 November
Kontena Nasional organised the Building Effective Supervisory Techniques Programme for the management with the aim to internalise self-governance principles, build trust and motivate team members for higher performance

27 November
Penang Port celebrated its employees and family members' achievements in a delightful ceremony

28 November
Penang Port conducted an emergency and rescue drill together with the stakeholders involved in the development of T1 North Butterworth Container Terminal project to further strengthen the emergency response plan

DECEMBER

5 December
MMC Oil & Gas organised a session on Anti-Bribery and Anti-Corruption Policy and Framework 2019 with the objective to provide knowledge and awareness on prevention of bribery and corruption in the organisation

23 December
MMC Engineering organised an in-house Oil & Gas Safety Passport Training for GRAPHITE Project Team Members. The objectives were to provide the basic knowledge on the recognition of hazards and risks in the oil and gas industry, as well as the precautionary and control measures to ensure safe and healthy working conditions

24 December
Malakoff organised Malakoff HSSE Week 2019 that aimed to encourage safety practices at work and promote a work-life balance among employees at all its plants

CORPORATE SOCIAL **RESPONSIBILITY**

ENVIRONMENTAL PRESERVATION

As a responsible organisation, we continue to prioritise the environment, looking forward to do our part in helping to safeguard the world and its limited resources and to promote greater awareness on the importance of caring for Mother Nature.

Working with Government agencies, universities, environmental bodies, local communities and other stakeholders, MMC is committed to reducing its own environmental footprint and assisting others to also develop "greener" solutions towards more sustainable resource consumption, to address pollution and to protect the nation's diverse flora and fauna.

APRIL

11 April
PTP collaborated with LPJ and Kelab Alami Mukim Tanjung Kupang to reinforce their commitment and planted 600 mangrove saplings in the Tanjung Adang coastal area with the help of 100 volunteers

20 April
PTP collaborated with Government bodies and Kelab Alami Mukim Tanjung Kupang to clean up Sungai Pendas in a riverbank cleaning programme

23 April
Penang Port collaborated with Penang State Forestry Department and celebrated Earth Day by organising Mangrove Planting Programme in Juru, Seberang Perai

22-29 April
Northport organised a 3R Programme entitled *Ayuh Kitar Semula 3.0* in conjunction with the World Earth Day

SEPTEMBER

3 September
Johor Port collaborated with Majlis Perbandaran Pasir Gudang and organised an environmental awareness programme at SK Kota Masai 2 and carried out a half-day workshop as well as throwing of mud balls activity to help clean up the river

10 -12 September
MMC Group's operating companies in the Southern Region participated in Hari Alam Sekitar Negara organised by Johor's Department of Environment in Pulau Sibu, Mersing, Johor

OCTOBER

16-24 October
Northport organised *Ayuh Kitar Semula 4.0* and 38 tonnes of recyclable items were collected throughout the 3R programme

FINANCIAL STATEMENTS

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2019

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 39 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	300,410	440,769
Attributable to:		
- owners of the Parent	255,166	440,769
- non-controlling interests	45,244	-
	300,410	440,769

RESERVES AND PROVISIONS

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

DIVIDEND

The dividend paid or declared by the Company since 31 December 2018 are as follows:

	RM'000
In respect of the financial year ended 31 December 2018, as shown in the Directors' report of that financial year, a final single-tier of 4.0 sen per ordinary share, paid on 26 June 2019	121,802

On 10 April 2020, the Board of Directors has approved and declared a dividend of 4.5 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM137,027,635 in respect of the financial year ended 31 December 2019. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2020.

DIRECTORS' **REPORT**
For the Financial Year Ended 31 December 2019

DIRECTORS

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

Tan Sri Dato' Seri Shamsul Azhar Abbas, Group Chairman
Dato' Sri Che Khalib Mohamad Noh
Datuk Ooi Teik Huat
Dato' Abdul Hamid Sh Mohamed
Dato' Siti Halimah Ismail
Syed Naqiz Shahabuddin Syed Abdul Jabbar
Dato' Ir. Jamaludin Osman
Tee Beng Thong
Sharifah Sofia Syed Mokhtar Shah

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

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2019, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

DIRECTORS' INTERESTS

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

INDEMNITY FOR DIRECTORS AND OFFICERS

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a Group basis by MMC Corporation Berhad and the total premium paid by MMC Corporation Berhad Group during the financial year amounted to RM94,615.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

(a) to ascertain that proper action had been taken in relation to the writing off of impaired receivables and the impairment of receivables and satisfied themselves that all known impaired receivables had been written-off and that adequate impairment had been made for impaired receivables; and

(b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' **REPORT**
For the Financial Year Ended 31 December 2019

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) which would render the amounts written-off for impaired receivables or the amount of the impairment of receivables in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

ULTIMATE HOLDING COMPANY

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

AUDITORS REMUNERATION

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2020.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
GROUP CHAIRMAN

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dato' Seri Shamsul Azhar Abbas and Dato' Sri Che Khalib Mohamad Noh, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 186 to 303 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2020.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
GROUP CHAIRMAN

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Mohd Shahar Yope @ Yahya, the officer primarily responsible for the financial management of MMC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 186 to 303, are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD SHAHAR YOPE @ YAHYA
(MIA No. 7564)

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

At: Petaling Jaya, Selangor Darul Ehsan

On: 28 April 2020

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MMC Corporation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 186 to 303.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

INDEPENDENT AUDITORS' **REPORT**

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on goodwill and intangible assets The Statement of Financial Position of the Group includes RM1,984 million and RM349 million of goodwill and intangible assets respectively arising from the acquisition of subsidiaries. We focused on this area due to the significance of the carrying amounts (10.6% of the total Group non-current assets at 31 December 2019) and the complexity and judgmental nature of the key assumptions used that is Twenty-foot Equivalent Units ("TEU") growth, terminal growth and discount rates for the port segments and passenger volumes and value of land for the airport segment in determining the value in use ("VIU") of the respective CGUs to which goodwill and intangible asset have been allocated. In accordance with MFRS 136 "Impairment of Assets", management carried out annual impairment testing for both Cash Generating Units ("CGUs") during the financial year. Refer to Note 20 to the financial statements.	Our procedures in relation to the impairment assessment are to test the appropriateness of management's identification of the Cash Generating Units ("CGUs") and to evaluate the reasonableness of the key assumptions used in preparing the discounted cash flows to determine the value-in-use ("VIU") of each CGU. In assessing the reasonableness of the key assumptions used in the VIU calculations, we performed the following procedures: • Agreed the cash flows to the current financial budgets approved by the Directors for the next financial year and projections for the following four years; • Compared the key assumptions used in the approved budgets and projections against historical results; • Compared the discount rates used with other organisations in similar industry; • Checked that the terminal growth rate did not exceed the long-term average growth rate for each industry in which the CGUs operate; and • Performed sensitivity analysis on the value-in-use by applying reasonably possible change in: i. TEU growth, terminal growth and discount rates for port segment; and ii. the value of land and passenger growth for the airport segment. The key assumptions that required significant judgement for the port and airport segments are as follows: **Ports segment** 1. Twenty-foot Equivalent Units ("TEU") growth We have assessed the reasonableness of the TEUs used in the projections against historical results and long term average industry growth rate. 2. Terminal growth and discount rate We tested the appropriateness of the terminal growth rate by comparing with current gross domestic product growth, inflation and average growth rate for the industry. The appropriateness of the discount rate is tested by benchmarking with the industry average. **Airport segment** 1. Passenger volumes We have assessed the reasonableness of the passenger volumes used in the projections against historical results and average growth rate. 2. Value of property development land We have compared the value used to the latest available transacted price of comparable land in close proximity during the financial year. Based on the procedures performed above, we did not find any material exceptions to the assumptions and methodology used in estimating the recoverable amount of the CGUs.

INDEPENDENT AUDITORS' **REPORT**

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

Key audit matters	How our audit addressed the key audit matters
Carrying amount of investment in a significant associate The Group's 37.6% interest in Malakoff Corporation Berhad ("Malakoff") is accounted for under the equity method. The Group's carrying value in Malakoff amounted to RM3,295 million as at 31 December 2019. In that respect, Malakoff is a significant component of the Group. The carrying amount of the Group's investment in Malakoff is significantly impacted by the assessment of the recoverability of the carrying amount of the property, plant and equipment in Malakoff. The assessment for impairment testing requires considerable judgment on the part of both Malakoff and Group's management. A range of possible changes in those judgement and assumptions could cause a material adjustment to the carrying amount of the Group's investment in Malakoff. Refer to Notes 3(f) and 15 to the financial statements.	In support of our work on assessing the appropriateness of the carrying amount of the investment, we have reviewed Malakoff's Auditors' work papers and the related procedures performed. More specifically, their work on assessing the carrying values of the power plants to be recoverable. We examined that appropriate audit evidence has been obtained on the preparation of discounted cash flow models and that the assumptions used by Malakoff were appropriately compared to externally supported inputs. Assumptions such as fixed and variable energy tariff rates, capacity factor of power plants and discount rate were assessed through comparison with the power purchase agreement, comparison against actual capacity achieved in the past and comparison against industry discount rate respectively. Based on such work, we did not find any material exception to the assumptions used in assessing the carrying amount of investment in Malakoff.

INDEPENDENT AUDITORS' **REPORT**

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control and the complete 2019 Annual Report which include the Corporate Overview, Group Corporate Structure, Corporate Information, Chairman's Statement, Group Managing Director's Statement, Management's Discussion and Analysis, Sustainability Statement, Corporate Social Responsibility, Corporate Highlights, Corporate Governance Overview Statement, Audit Committee Report, Finance, Investment and Risk Committee Report and Additional Compliance Information (but does not include the financial statements of the Group and of the Company and our auditors' report thereon).

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' **REPORT**

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' **REPORT**

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) Registration No. 197601004261 (30245-H)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 39 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2021 J
Chartered Accountant

Kuala Lumpur
28 April 2020

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	4,711,796	4,983,770	1,676,052	1,677,318
Cost of sales	5	(2,823,930)	(3,324,432)	(1,031,905)	(1,205,959)
Gross profit		1,887,866	1,659,338	644,147	471,359
Other operating income:					
- items relating to investments		-	65,703	-	-
- others		220,313	165,685	61,242	89,151
Administrative expenses		(840,246)	(767,957)	(64,645)	(72,638)
Other operating expenses		(369,793)	(381,607)	(14,698)	(82,730)
Finance costs	6	(677,993)	(545,063)	(179,084)	(194,954)
Share of results of:					
- associates		167,771	144,342	-	-
- joint ventures		134,073	62,486	-	-
Profit before zakat and taxation	7	521,991	402,927	446,962	210,188
Zakat expense		(3,470)	(4,614)	(1,104)	(1,013)
Tax expense	8	(218,111)	(131,276)	(5,089)	(3,411)
Net profit for the financial year		300,410	267,037	440,769	205,764
Net profit attributable to:					
Owners of the parent		255,166	220,080	440,769	205,764
Non-controlling interests		45,244	46,957	-	-
		300,410	267,037	440,769	205,764

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss:					
Movement in associates' reserve		(56,138)	(19,365)	-	-
Fair value adjustment - cash flow hedge		(1,080)	7,041	-	-
Currency translation differences		(3,857)	8,054	-	-
Items that will not be reclassified to profit or loss:					
Net changes in investment securities at Fair Value Through Other Comprehensive Loss ("FVOCI")		20,919	(24,578)	19,895	(24,869)
Remeasurement of defined benefit liability		(7,498)	-	-	-
Other comprehensive (loss)/income for the financial year (net of tax)		(47,654)	(28,848)	19,895	(24,869)
Total comprehensive income for the financial year		252,756	238,189	460,664	180,895
Total comprehensive income attributable to:					
Owners of the parent		207,512	191,232	460,664	180,895
Non-controlling interests		45,244	46,957	-	-
		252,756	238,189	460,664	180,895
Earnings per ordinary share attributable to the equity holders of the Company (sen):					
- basic and diluted	9	8.4	7.2		

The notes on pages 202 to 303 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	8,767,795	9,481,872
Investment properties	12	1,495,841	1,304,357
Rights-of-use assets	13	2,087,908	-
Interests in associates	15	4,382,475	4,440,459
Investments in joint arrangements	16	333,037	300,864
Investment securities	17	32,583	3,375
Inventories	22	1,916,580	1,885,008
Trade and other receivables	19	115,654	130,504
Intangible assets	20	2,333,210	2,351,125
Deferred tax assets	21	636,793	738,313
		22,101,876	20,635,877
CURRENT ASSETS			
Inventories	22	93,323	104,673
Trade and other receivables	24	1,565,222	2,224,992
Contract assets	34	233,554	411,094
Tax recoverable		22,581	127,437
Investment securities	17	-	8,289
Other investments	25	1,334,998	561,026
Deposits, bank and cash balances	26	1,074,646	1,055,662
		4,324,324	4,493,173
Assets held for sale	23	19,563	175,897
		4,343,887	4,669,070
TOTAL ASSETS		**26,445,763**	**25,304,947**

The notes on pages 202 to 303 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT			
Share capital	27	2,344,276	2,344,276
Reserves		6,999,754	7,215,374
		9,344,030	9,559,650
Non-controlling interests		762,751	733,217
TOTAL EQUITY		10,106,781	10,292,867
NON-CURRENT LIABILITIES			
Redeemable preference shares	28	-	16,674
Borrowings	29	7,335,587	8,146,154
Land lease received in advance	30	-	249,496
Provision for retirement benefits	31(c)	77,027	125,805
Deferred income	32	180,210	204,374
Deferred tax liabilities	21	523,417	603,215
Trade and other payables	31	186,862	383,472
Contract liabilities	34	111,150	-
Lease liabilities	13	2,115,281	-
		10,529,534	9,729,190
CURRENT LIABILITIES			
Borrowings	29	3,045,332	2,537,170
Trade and other payables	31	1,566,223	1,882,525
Contract liabilities	34	977,660	828,598
Lease liabilities	13	147,351	-
Tax payables		44,633	4,559
Deferred income	32	24,275	29,679
Derivative financial instruments	33	3,974	359
		5,809,448	5,282,890
TOTAL LIABILITIES		16,338,982	15,012,080
TOTAL EQUITY AND LIABILITIES		26,445,763	25,304,947

The notes on pages 202 to 303 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	111,860	164,469
Rights-of-use assets	13	13,821	-
Investments in subsidiaries	14	7,803,560	7,739,592
Interests in associates	15	882,293	882,293
Investments in joint arrangements	16	21,881	21,881
Investment securities	17	28,184	-
Amounts due from subsidiaries	18	261,632	253,491
Deferred tax assets	21	14,000	-
		9,137,231	9,061,726
CURRENT ASSETS			
Inventories	22	1,659	2,460
Trade and other receivables	24	797,507	1,244,748
Contract asset	34	-	42,056
Tax recoverable		-	35,195
Investment securities	17	-	8,289
Other investments	25	729,767	197,464
Deposits, bank and cash balances	26	48,997	10,351
		1,577,930	1,540,563
Assets held for sale	23	-	2,796
		1,577,930	1,543,359
TOTAL ASSETS		10,715,161	10,605,085
EQUITY AND LIABILITIES			
Share capital	27	2,344,276	2,344,276
Reserves		3,803,070	3,464,208
TOTAL EQUITY		6,147,346	5,808,484
NON-CURRENT LIABILITIES			
Trade and other payables	31	56,935	42,200
Borrowings	29	2,264,203	2,640,284
Lease liabilities	13	9,892	-
		2,331,030	2,682,484

The notes on pages 202 to 303 are an integral part of these financial statements.

COMPANY STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
CURRENT LIABILITIES			
Borrowings	29	927,510	964,170
Trade and other payables	31	217,704	251,776
Contract liabilities	34	967,807	828,558
Amounts due to subsidiaries	18	106,389	69,613
Tax payables		14,450	-
Lease liabilities	13	2,925	-
		2,236,785	2,114,117
TOTAL LIABILITIES		4,567,815	4,796,601
TOTAL EQUITY AND LIABILITIES		10,715,161	10,605,085

The notes on pages 202 to 303 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

	Note	Share capital RM'000	Foreign exchange reserve RM'000
At 1 January 2019 – as previously reported		2,344,276	71,072
Effects of adoption of MFRS 16	42	-	-
As restated		2,344,276	71,072
Net profit for the financial year		-	-
Other comprehensive (loss)/income:			
Share of movement in associates' reserves		-	(9,097)
Movement in value of investment		-	-
Fair value movement on derivative		-	-
Currency translation differences		-	(3,857)
Remeasurement of defined benefit liability		-	-
Total other comprehensive (loss)/income		-	(12,954)
Total comprehensive (loss)/income for the financial year		-	(12,954)
Transactions with owners:			
Acquisition of NCI		-	-
Disposal of interest in a subsidiary to NCI		-	-
Dividend for financial year ended 31 December 2018	10	-	-
Dividends paid to non-controlling shareholders	14	-	-
Total transactions with owners		-	-
At 31 December 2019		2,344,276	58,118

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

The notes on pages 202 to 303 are an integral part of these financial statements.

Attributable to owners of the parent						
	Non-distributable			Distributable		
*Revaluation reserve RM'000	Other reserves RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
28,120	(21,512)	19,684	7,118,010	9,559,650	733,217	10,292,867
-	-	-	(301,882)	(301,882)	13,172	(288,710)
28,120	(21,512)	19,684	6,816,128	9,257,768	746,389	10,004,157
-	-	-	255,166	255,166	45,244	300,410
-	-	(45,780)	(1,261)	(56,138)	-	(56,138)
-	20,919	-	-	20,919	-	20,919
-	-	(1,080)	-	(1,080)	-	(1,080)
-	-	-	-	(3,857)	-	(3,857)
-	-	-	(7,498)	(7,498)	-	(7,498)
-	20,919	(46,860)	(8,759)	(47,654)	-	(47,654)
-	20,919	(46,860)	246,407	207,512	45,244	252,756
-	-	-	-	-	(384)	(384)
-	-	-	552	552	6,900	7,452
-	-	-	(121,802)	(121,802)	-	(121,802)
-	-	-	-	-	(35,398)	(35,398)
-	-	-	(121,250)	(121,250)	(28,882)	(150,132)
28,120	(593)	(27,176)	6,941,285	9,344,030	762,751	10,106,781

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the Financial Year Ended 31 December 2019

	Note	Share capital RM'000	Foreign exchange reserve RM'000
At 1 January 2018		2,344,276	63,580
Net profit for the financial year		-	-
Other comprehensive (loss)/income:			
Share of movement in associates' reserves		-	(562)
Movement in value of investment		-	-
Fair value movement on derivative		-	-
Currency translation differences		-	8,054
Total other comprehensive income/(loss)		-	7,492
Total comprehensive income /(loss) for the financial year		-	7,492
Transactions with owners:			
Acquisition of a NCI		-	-
Dividend for financial year ended 31 December 2017	10	-	-
Dividends paid to non-controlling shareholders	14	-	-
Total transactions with owners		-	-
At 31 December 2018		2,344,276	71,072

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

The notes on pages 202 to 303 are an integral part of these financial statements.

Attributable to owners of the parent						
	Non-distributable		Distributable			
*Revaluation reserve RM'000	Other reserves RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
28,120	3,066	30,361	7,020,817	9,490,220	717,797	10,208,017
-	-	-	220,080	220,080	46,957	267,037
-	-	(17,718)	(1,085)	(19,365)	-	(19,365)
-	(24,578)	-	-	(24,578)	-	(24,578)
-	-	7,041	-	7,041	-	7,041
-	-	-	-	8,054	-	8,054
-	(24,578)	(10,677)	(1,085)	(28,848)	-	(28,848)
-	(24,578)	(10,677)	218,995	191,232	46,957	238,189
-	-	-	-	-	(635)	(635)
-	-	-	(121,802)	(121,802)	-	(121,802)
-	-	-	-	-	(30,902)	(30,902)
-	-	-	(121,802)	(121,802)	(31,537)	(153,339)
28,120	(21,512)	19,684	7,118,010	9,559,650	733,217	10,292,867

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

		Non-distributable		Distributable	
	Note	Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019		2,344,276	(24,869)	3,489,077	5,808,484
Net profit for the financial year		-	-	440,769	440,769
Transactions with owners:					
Movement in value of investment		-	19,895	-	19,895
Dividend for financial year ended 31 December 2018	10	-	-	(121,802)	(121,802)
At 31 December 2019		2,344,276	(4,974)	3,808,044	6,147,346
At 1 January 2018		2,344,276	-	3,405,115	5,749,391
Net profit for the financial year		-	-	205,764	205,764
Transactions with owners:					
Movement in value of investment		-	(24,869)	-	(24,869)
Dividend for financial year ended 31 December 2017	10	-	-	(121,802)	(121,802)
At 31 December 2018		2,344,276	(24,869)	3,489,077	5,808,484

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES					
Profit before zakat and taxation		521,991	402,927	446,962	210,188
Adjustments for:					
Depreciation of:					
- property, plant and equipment	11	627,112	519,531	88,849	6,982
- investment properties	12	8,982	8,967	-	-
- rights-of-use assets	13	131,323	-	3,141	-
Amortisation of:					
- rights on airport business	20	4,195	4,196	-	-
- rights on port business	20	8,814	8,189	-	-
- rights on concession assets	20	-	3,504	-	-
- land lease received in advance	30	-	(11,002)	-	-
- deferred income	32	(29,755)	(29,285)	-	-
Income from subleasing of rights-of-use assets	30	(8,757)	-	-	-
Impairment of:					
- property, plant and equipment	11	-	2,829	-	-
- trade and other receivables	24	63,582	18,172	-	-
Changes in fair value of derivative financial instruments		-	3,868	-	3,868
Gain on disposal of:					
- property, plant and equipment		(5,055)	(2,174)	(332)	(3,241)
- assets held for sale		(36,110)	(4,805)	(20,054)	(2,076)
Gain on derecognition of rights-of-use assets		(6,925)	-	-	-
Write-off of property, plant and equipment		5,789	8,776	-	20
Write-back of impairment of receivables	24	(6,308)	(3,737)	(1,432)	-
Dividend income		(200)	(150)	(518,844)	(293,972)
Accretion/(unwinding) of interest on borrowings		18,975	25,031	599	(3,938)
Allowance for slow moving stocks		16,463	12,083	-	-
Negative goodwill on acquisition of a subsidiary		-	(51,715)	-	-

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2019 (Continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES (CONTINUED)					
Adjustments for: (continued)					
Interest income		(62,809)	(39,212)	(21,210)	(22,471)
Interest expense on borrowings		527,885	545,063	177,796	194,954
Interest expense on lease liabilities		131,133	-	689	-
Share of results in:					
- associates	15	(167,771)	(144,342)	-	-
- joint ventures	16	(134,073)	(62,486)	-	-
Net unrealised loss on foreign exchange		60	232	-	-
Provision for retirement benefits	31(c)	15,773	7,846	-	-
Fair value (gain)/loss on reclassification of investment in an associate to investment securities		-	(15,233)	-	1,658
		1,624,314	1,207,073	156,164	91,972
Changes in working capital:					
Inventories		(36,685)	(15,224)	801	4,836
Receivables		736,963	(228,754)	490,729	(284,530)
Payables		(64,785)	224,891	119,912	142,101
Deferred income	32	187	3,771	-	-
Cash generated from operations		2,259,994	1,191,757	767,606	(45,621)
Income tax refund/(paid)		45,098	(74,274)	30,556	(17,751)
Zakat paid		(3,470)	(4,614)	(1,104)	(1,013)
Land lease received in advance	30	-	23,064	-	-
Retirement benefits paid	31(c)	(45,443)	(7,776)	-	-
Net cash flow generated from/(used in) operating activities		2,256,179	1,128,157	797,058	(64,385)

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2019 (Continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
INVESTING ACTIVITIES					
Investment in subsidiaries	40(a)	-	(1,453)	-	-
Advances to subsidiaries		-	-	(86,415)	(358,646)
Repayment of advances from subsidiaries		-	-	9,969	75,359
Redemption of redeemable convertible preference shares by a subsidiary		-	-	6,000	-
Repayment of advances from joint ventures		8,601	28,213	-	28,213
Capital contribution to a joint venture		(500)	-	-	-
Net (advances to)/repayment of advances from associates		(151)	754	-	754
Dividends received from:					
- subsidiaries		-	-	365,921	195,956
- associates		166,425	162,603	53,323	52,066
- joint ventures		102,400	53,300	99,400	45,800
- others		200	150	200	150
Interest received		62,809	39,212	21,210	22,471
Proceeds from sale of:					
- property, plant and equipment		16,018	7,934	361	3,736
- assets held for sale		62,136	5,435	22,850	2,379
Proceeds from derecognition of rights-of-use assets		8,093	-	-	-
Purchase of:					
- property, plant and equipment		(559,635)	(874,934)	(37,478)	(53,476)
- intangible assets		-	(43)	-	-
- investment properties		(119,789)	(66,201)	-	-
Changes in deposits with maturity more than 90 days		61,044	182,940	-	95,849
Changes in other investments with maturity more than 90 days		(266,005)	-	-	-
Net cash flow (used in)/generated from investing activities		(458,354)	(462,090)	455,341	110,611

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2019 (Continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
FINANCING ACTIVITIES					
Dividend paid		(121,802)	(121,802)	(121,802)	(121,802)
Dividends paid to non-controlling interests of subsidiaries		(35,398)	(30,902)	-	-
Interest paid		(548,909)	(543,375)	(177,796)	(198,892)
Lease liabilities paid		(168,877)	-	(3,625)	-
Borrowings:					
- drawdown		1,906,767	2,726,821	345,000	1,577,000
- repayment		(2,228,147)	(1,893,451)	(758,340)	(1,167,487)
Advances from subsidiaries		-	-	104,726	-
Repayment of advances to subsidiaries		-	-	(69,613)	(9,296)
Repayment of dividend on redeemable preference shares in a subsidiary		(16,675)	(16,674)	-	-
Proceeds from sale of interest in a subsidiary to non-controlling interests		7,452	-	-	-
Purchase of additional shares in a subsidiary from non-controlling interests		(384)	(635)	-	-
Movement in designated account and pledged deposit		(1,860)	2,661	-	-
Net cash flow (used in)/generated from financing activities		(1,207,833)	122,643	(681,450)	79,523
Net change in cash and cash equivalents		589,992	788,710	570,949	125,749
Foreign exchange differences		(3,857)	8,054	-	-
Cash and cash equivalents at beginning of the financial year		1,354,783	558,019	207,815	82,066
Cash and cash equivalents at end of the financial year		1,940,918	1,354,783	778,764	207,815
Cash and cash equivalents comprise:					
Deposits, bank and cash balances	26	1,074,646	1,055,662	48,997	10,351
Other investments	25	1,334,998	561,026	729,767	197,464
Less: Deposits with maturity more than 90 days	26	(178,046)	(239,090)	-	-
Less: Other investments with maturity more than 90 days	25	(266,005)	-	-	-
		1,965,593	1,377,598	778,764	207,815
Designated account and pledged deposit		(24,675)	(22,815)	-	-
		1,940,918	1,354,783	778,764	207,815

The notes on pages 202 to 303 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**

For the Financial Year Ended 31 December 2019 (Continued)

Note to the statements of cash flows:

Reconciliation of liabilities arising from financing activities:

Group

	At 1.1.2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2019 RM'000
Borrowings	10,683,324	(870,289)	567,884*	10,380,919
Lease liabilities	2,237,236	(168,877)	194,273*	2,262,632
Redeemable preference shares	33,349	(16,675)	-	16,674
Total liabilities arising from financing activities	12,953,909	(1,055,841)	762,157	12,660,225

	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2018 RM'000
Borrowings	8,824,924	290,252	1,568,148*	10,683,324
Redeemable preference shares	50,023	(16,674)	-	33,349
Total liabilities arising from financing activities	8,874,947	273,578	1,568,148	10,716,673

Company

	At 1.1.2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2019 RM'000
Borrowings	3,604,454	(591,136)	178,395	3,191,713
Amounts due to subsidiaries	69,613	35,113	1,663	106,389
Lease liabilities	-	(3,625)	16,442*	12,817
Total liabilities arising from financing activities	3,674,067	(559,648)	196,500	3,310,919

	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2018 RM'000
Borrowings	3,198,879	210,621	194,954	3,604,454
Amounts due to subsidiaries	78,908	(9,295)	-	69,613
Total liabilities arising from financing activities	3,277,787	201,326	194,954	3,674,067

* Non-cash changes mainly relate to acquisition of a subsidiary, interest charged to profit or loss, interest capitalised and additional leases entered.

The notes on pages 202 to 303 are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2019

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

(A) BASIS OF PREPARATION

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

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

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

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group and the Company's financial year beginning on or after 1 January 2019 are as follows:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 128 "Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 9 "Financial Instruments – Prepayment Features with Negative Compensation"
- Amendments to MFRS 3 "Business Combinations" (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 11 "Joint Arrangements" (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112 "Income Taxes" (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 "Employee Benefits" - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123 "Borrowing Costs" (Annual Improvements to MFRS Standards 2015-2017 Cycle)

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 42.

Other than that, the adoption of other amendments listed above did not have any significant impact on the current financial year or any prior financial year and is not likely to affect future financial years.

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

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

<u>MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020</u>

- 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
- The Conceptual Framework for Financial Reporting (Revised 2018)

<u>MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022</u>

- Amendments to MFRS 101 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current

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

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

Unless otherwise stated, the Group and the Company are in the process of assessing the impact of the new standards and amendments to the financial statements of the Group and of the Company in the year of initial application.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(B) CONSOLIDATION

(i) Subsidiaries

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

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in the profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(B) CONSOLIDATION (CONTINUED)

(ii) Joint arrangements

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

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

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

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

(iii) Associates

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

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

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

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

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(B) CONSOLIDATION (CONTINUED)

(iii) Associates (continued)

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

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

(C) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

(D) LEASES

Accounting policies applied from 1 January 2019

<u>The Group as lessee</u>

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(D) LEASES (CONTINUED)

Accounting policies applied from 1 January 2019 (continued)

The Group as lessee (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(D) LEASES (CONTINUED)

Accounting policies applied from 1 January 2019 (continued)

The Group as lessee (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay or to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(iv) Reassessment of lease liabilities

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or of there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When adjustments to lease payments take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with these leases are recognised on a straight-line basis as an expense in profit or loss.

The Group as lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(D) LEASES (CONTINUED)

Accounting policies applied from 1 January 2019 (continued)

The Group as lessor (Continued)

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

(iii) Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iv) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

Accounting policies applied until 31 December 2018

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

(i) Finance leases

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

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

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

(ii) Operating leases

Group as lessee

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

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(E) DEPRECIATION

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

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

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

Mining lease properties (freehold) are not depreciated.

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

(F) INVESTMENT PROPERTIES

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

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

Building	50 years
Leasehold land	99 years
Land lease rental	25 years

No depreciation is provided for freehold land.

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

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

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell or its VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(H) INVESTMENTS

Investments in subsidiaries, joint arrangements and associates are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (G) on impairment of non-financial assets.

Amount due from subsidiary which repayment is not expected within the next 12 months is stated at cost less accumulated impairment losses if it is the intention of the Company to treat the amount as a long term source of capital to the subsidiary.

On disposal of an investment, the difference between net disposals proceed and its carrying amount is charged/credited to the profit or loss.

(I) INTANGIBLES

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's shares of their net identifiable assets at the date of acquisition. Goodwill on acquisition of subsidiaries is stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

(ii) Rights on Water Treatment Business

The Rights on Water Treatment Business are based on the fair value of the remaining useful lives of the concession agreement entered by a subsidiary for the privatisation of the operations, maintenance and rehabilitation of water treatment plants in Johor Darul Takzim, less accumulated amortisation and any accumulated impairment losses. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period. During the current financial year, the Group had written off the Rights on Water Treatment Business as the concession period had ended.

(iii) Rights on Airport Business

The Rights on Airport Business represent the right of a subsidiary to provide airport services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the airport as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 30 October 2053.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(I) INTANGIBLES (CONTINUED)

(iv) Rights on Port Business

The Rights on Port Business represent the right of a subsidiary to provide port operation services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the port related infrastructure as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the useful lives of the concession period of 30 years.

(v) Rights on Concession Assets

The rights on concession assets represents the rights to operate the Northport terminal in Port Klang and are recognised as intangible assets. Concession assets are initially measured at the fair value of the construction revenue.

Subsequent costs and expenditures related to concession assets arising from the commitments to the lease concession or that increase future revenue are recognised as additions to the intangible assets and are stated at fair value of the construction revenue. Such cost includes the borrowing costs for long-term construction projects if the recognition criteria are met. The intangible assets are amortised over the useful lives of the concession period of 30 years.

In 2018, the Group had performed assessment and had reclassified all the intangible assets as property, plant and equipment upon the finalisation of the concession agreement on 6 March 2018.

(J) CONTRACT ASSETS AND LIABILITIES

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

(K) INVENTORIES

Inventories are stated at the lower of cost and net realisable value with cost being determined either on the first-in, first-out or weighted average cost basis depending on the type of inventories. Cost includes expenditure incurred in bringing the inventories to their present form and location. For work-in-progress and manufactured inventories, cost consists of materials, direct labour, other direct cost and an appropriate proportion of fixed and variable production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, balances and deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(M) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in the profit or loss.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(N) GOVERNMENT GRANTS

Government grants are recognised initially at their fair value in the statement of financial position as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(O) TAXATION

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax liabilities and/or assets are recognised, using the liability method, for all temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Investment tax allowances are treated as tax credit at inception.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised. Deferred tax liability in respect of asset revaluations is also recognised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is not recognised if the temporary differences arise from goodwill or excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Tax rate enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

(P) LAND LEASE RECEIVED IN ADVANCE

Land lease received in advance relates to deferred income from sub-leased land and is recognised as an income in the profit or loss equally over the period of the lease ranging from 16 to 60 years.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(Q) EMPLOYEE BENEFITS

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension fund is charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed at regular interval by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in the profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(R) REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Port and logistic operations

Revenue from port and logistic operations are recognised over the period in which the services are rendered and presented net of discount. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the port and logistics related services by the Group.

(ii) Construction contracts

Revenue from construction contracts is recognised over the period in which the services are rendered.

For fixed-price contracts, revenue is recognised under the percentage of completion method, measured by reference to surveys of work performed. Cost plus contracts, where reimbursements are made on costs incurred for works carried out on an agreed contract rate, are recognised as revenue attributed to the proportion of work done progressively over the duration of the contracts.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(iii) Airport activity

Income from airport activity includes income from aeronautical revenue and non-aeronautical. Aeronautical revenue mainly refers to landing and parking fees, passenger service charges and ground cargo service. Non-aeronautical revenue mainly refers to carpark revenue, utilities services, maintenance income and other retail income.

Revenue from aeronautical is recognised at a point in time when the services are rendered and presented net of discounts. Non-aeronautical revenues are recognised over the period when services are rendered and presented net of discounts. The revenue is defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the airport related services by the Group.

(iv) Water treatment activity

Revenue from water treatment activities are recognised over the period in which the services are rendered. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(R) REVENUE RECOGNITION (CONTINUED)

Revenue from contracts with customers (Continued)

(v) Sale of property

Revenue from sale of property is recognised when control of the property has been transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. The revenue from sale of property is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue from other sources

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

(viii) Property lease

Property lease income is recognised on the accrual basis.

(S) ACCOUNTING FOR ZAKAT

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a subsidiary has been in operation for at least 12 months, i.e. for the period known as "haul".

Zakat rates enacted or substantively enacted by the end of each reporting period are used to determine the zakat expense. The rate of zakat on business as determined by Zakat Authority under Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan is 2.5% of the zakat base. The zakat base is determined based on the adjusted working capital method or the profit before tax and zakat of eligible companies within the Group. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

(T) FOREIGN CURRENCIES

(i) Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(U) FINANCIAL INSTRUMENTS

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or other financial assets from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Measurement (continued)

Debt instrument (continued)

(2) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(3) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(v) Impairment

Impairment for debt instrument

The Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Loans to subsidiaries (applicable in Company's separate financial statements only)
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group or the Company expects to receive, over the remaining life of the financial instrument.

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(v) Impairment (Continued)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) **General 3-stage approach for other receivables**

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 24 sets out the measurement details of ECL.

(ii) **Simplified approach for trade receivables**

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 24 sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(v) Impairment (Continued)

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Amount due from immediate holding company in the financial statements is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored individually.

(vi) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(vii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain and loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in the profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into the profit or loss in the same period or periods during which the hedged forecast cash flows affect the profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into the profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into the profit or loss.

(V) CONTINGENT LIABILITIES

The Group does not recognise a contingent liability but discloses its existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition.

(W) SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the working group consisting of Heads of Departments that makes strategic decisions.

SUMMARY OF SIGNIFICANT **ACCOUNTING POLICIES**

For the Financial Year Ended 31 December 2019 (Continued)

(X) NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed-off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale.

(Y) SHARE CAPITAL

Proceeds from ordinary shares issued are accounted for as equity. Cost directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

1. CORPORATE INFORMATION

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

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 39 to the financial statements.

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

The ultimate holding company is Indra Cita Sdn. Bhd., a company incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Ground Floor, Wisma Budiman, Persiaran Raja Chulan, 50200, Kuala Lumpur.

The financial statements are expressed in thousands of Ringgit Malaysia unless otherwise stated.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2020.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group uses instruments such as foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

(i) Foreign currency exchange risk

The Group uses derivative financial instruments such as forward foreign currency contracts to cover certain foreign currency exposures. It does not trade in financial instruments.

The Group also maintains a natural hedge by maintaining foreign currency denominated cash reserves in licensed bank accounts to fund any potential future cash outflows arising from its business operations in foreign countries and by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated by the investment.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (Continued)

(i) Foreign currency exchange risk (Continued)

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	Others RM'000
2019		
Deposits with licensed banks	577	-
Trade and other receivables	132,150	-
Trade and other payables	(1,758)	-
Net exposure	130,969	-
2018		
Deposits with licensed banks	577	-
Trade and other receivables	132,247	-
Trade and other payables	(3,290)	(794)
Net exposure	129,534	(794)

Foreign currency risk arises from Group entities which have functional currencies other than functional currencies of the Group entities. A 10% (2018: 10%) strengthening of the functional currencies against the following currencies would have (increased)/decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Loss or (profit)	2019 RM'000	2018 RM'000
USD	13,097	12,953
Others	-	(79)
Net exposure	13,097	12,874

A 10% (2018: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises from the Group's borrowings and deposits denominated in Ringgit Malaysia, and are managed through the use of fixed and floating rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift.

An 0.25% increase/decrease of the weighted average rate of the Group's and the Company's borrowings and deposits, with all other variables held constant, would result in a decrease/increase of RM8 million (2018: RM11 million) and RM1.7 million (2018: RM2.4 million) respectively to the profit before tax and zakat.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either at fair value through other comprehensive income or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: Bursa Malaysia and Australian Securities Exchange.

The table below summarises the impact of increases/decreases of the financial assets on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the share price had increased/decreased by 5% with all other variables held constant.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impact on other components of equity:				
Investment securities at fair value through other comprehensive income	1,629	553	1,409	414
Net exposure	1,629	553	1,409	414

(iv) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by ensuring its customers have sound financial standing, credit history and requirement of collateral where necessary.

Analysis of the Group and the Company's trade and other receivables is reflected in Note 24.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (Continued)

(v) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group matches its consistent cash flows from its concession businesses, which are long term in nature, against its borrowings obligations.

In addition, the Group also maintains a certain level of deposits to ensure compliance with its borrowings requirements.

The Company meets its obligations with funds to be received in the form of dividends and distributions from its subsidiaries, associates and joint venture companies.

The following table analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
Group					
At 31 December 2019					
Trade and other payables (excluding statutory obligations and land lease received in advance)	1,483,237	62,569	59,285	-	1,605,091
Dividend payable on redeemable preference shares	16,674	-	-	-	16,674
Lease liabilities	179,491	168,568	459,668	3,748,335	4,556,062
Borrowings:					
- fixed rate	2,379,183	384,036	1,423,527	4,591,289	8,778,035
- floating rate	1,082,099	143,146	2,443,337	291,175	3,959,757
	3,461,282	527,182	3,866,864	4,882,464	12,737,792
At 31 December 2018					
Trade and other payables (excluding statutory obligations and land lease received in advance)	1,816,821	62,459	24,948	19,813	1,924,041
Redeemable preference shares	16,675	16,674	-	-	33,349
Borrowings:					
- fixed rate	622,954	2,331,456	1,004,764	3,771,084	7,730,258
- floating rate	2,345,327	326,438	1,973,583	571,575	5,216,923
	2,968,281	2,657,894	2,978,347	4,342,659	12,947,181

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(v) Liquidity and cash flow risk (continued)

	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
Company					
At 31 December 2019					
Trade and other payables (excluding statutory obligations)	205,598	37,754	28,085	-	271,437
Amounts due to subsidiaries	106,389	-	-	-	106,389
Lease liabilities	3,626	3,368	7,908	-	14,902
Borrowings:					
- fixed rate	502,551	123,034	461,826	2,388,283	3,475,694
- floating rate	593,273	21,585	116,030	-	730,888
	1,095,824	144,619	577,856	2,388,283	4,206,582
At 31 December 2018					
Trade and other payables (excluding statutory obligations)	239,998	42,200	-	-	282,198
Amounts due to subsidiaries	69,613	-	-	-	69,613
Borrowings:					
- fixed rate	295,093	625,585	461,826	2,388,283	3,770,787
- floating rate	857,583	45,031	116,370	-	1,018,984
	1,152,676	670,616	578,196	2,388,283	4,789,771

Details of borrowings are shown in Note 29.

(vi) Hedging activities and liquidity risk

The following are cash flow hedge and the liquidity risk of the derivative assets and liabilities.

Cash flow hedge for asset acquisition

The Group has entered into forward exchange contracts to limit their exposure on foreign currency exchange risk in relation to the payments to the asset suppliers.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2019 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(vi) Hedging activities and liquidity risk (Continued)

Cash flow hedge for asset acquisition (Continued)

The following table indicates the periods in which the cash inflows/(outflows) associated with the forward exchange contracts are expected to occur and affect profit or loss:

	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
2019					
Forward exchange contracts					
- inflows	305,111	-	-	-	305,111
- outflows	(308,289)	-	-	-	(308,289)
2018					
Forward exchange contracts					
- inflows	29,935	-	-	-	29,935
- outflows	(30,218)	-	-	-	(30,218)

(b) Capital risk management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company would be able to continue as a going concern while maximising returns to shareholders.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2019 and 2018 were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total borrowings	10,380,919	10,683,324	3,191,713	3,604,454
Less:				
Cash and cash equivalents	(1,940,918)	(1,354,783)	(778,764)	(207,815)
Net debt	8,440,001	9,328,541	2,412,949	3,396,639
Total equity	10,106,781	10,292,867	6,147,346	5,808,484
Total capital	18,546,782	19,621,408	8,560,295	9,205,123
Gearing ratio	46%	48%	28%	37%

Please refer to Note 29 for externally imposed financial covenants and capital structure.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually being evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

(a) Goodwill impairment assessment

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of the Port Business and Airport Operations; CGUs respectively, were determined based on the VIU calculations. The calculations require the use of estimates and judgments as set out in Note 20(A) Port Business and Note 20(B)(a) Airport Operations to the financial statements.

(b) Estimation of the VIU of the CGU for Airport City

The estimation of the VIU of the CGU is based on a single combined business unit ("Airport City") consisting of Airport Operations and Property Development Land. The Directors are of the view that this will provide a more accurate description of the overall strategy of the sub-group, whereby all of the activities within various companies within the sub-group are elements of the overall strategic master plan to develop Senai Airport City.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Income tax

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of investment tax allowance may arise during the estimation of the provision for income taxes between tax calculated at the reporting date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the reporting date. Where the final tax outcomes of these matters are different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(e) Recovery of claim receivable of a subsidiary, MMC International Holdings Ltd.

In determining whether the claim receivable (included in other receivables of the Group) in respect of a discontinued involvement in a project in Middle East is recoverable, the debtor's ability to pay the amount claimed by the Group had been assessed. The impairment loss on the amount claimed requires judgements on the assumption of recoverability based on latest developments.

(f) Impairment assessment of investment in an associate

The Group holds investment in Malakoff Corporation Berhad ("Malakoff"), a public listed company on the Main Market of Bursa Malaysia, which is regarded as an associate to the Group. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, the recoverable amount based on the discounted cash flows of Malakoff's power plants had been determined. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions such as variable operating rates, capacity factor and discount rate. For further details, please refer to Note 15.

4. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contract with customers	4,560,931	4,842,162	1,157,208	1,383,346
Revenue from other sources:				
- rental income	150,665	141,458	-	-
- dividend income	200	150	518,844	293,972
	4,711,796	4,983,770	1,676,052	1,677,318

4. REVENUE (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Breakdown of revenue from contracts with customers:				
Major goods and services				
Port and logistics operations:				
- Container services	2,047,170	1,898,194	-	-
- Conventional cargo services	303,810	316,402	-	-
- Other services	704,614	659,829	-	-
Construction contracts	1,427,738	1,897,300	1,157,208	1,383,346
Airport operations	56,233	50,432	-	-
Water treatment services	21,366	20,005	-	-
	4,560,931	4,842,162	1,157,208	1,383,346
Timing of revenue recognition				
- at a point in time	56,233	48,550	-	-
- over time	4,504,698	4,793,612	1,157,208	1,383,346
	4,560,931	4,842,162	1,157,208	1,383,346

Information on contract assets and contract liabilities are disclosed in Note 34.

5. COST OF SALES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost of port and logistics operations	1,539,739	1,614,712	-	-
Contract cost recognised as an expense	1,257,174	1,682,860	1,031,905	1,205,959
Cost of airport operations	11,750	10,562	-	-
Cost of water treatment services	15,267	16,298	-	-
	2,823,930	3,324,432	1,031,905	1,205,959

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

6. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Term loans	182,870	201,691	9,771	25,793
Sukuk	298,263	276,405	141,910	128,792
Lease liabilities	131,133	-	689	-
Accretion/(unwinding) of interests	18,975	25,031	599	(3,938)
Others	46,752	41,936	26,115	44,307
	677,993	545,063	179,084	194,954

7. PROFIT BEFORE ZAKAT AND TAXATION

(i) Profit before zakat and taxation is arrived at:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Auditors' remuneration:				
- statutory audit (PwC)	1,646	1,686	391	571
- audit related services (PwC)	158	379	112	333
- non-audit services (PwC)	50	50	50	40
Other auditors' remuneration:				
- statutory audit (non-PwC)	219	199	108	108
- non-audit services (non-PwC)	15	31	-	-
Directors' fees (Note 7(ii))	2,052	2,037	1,272	1,265
Depreciation of:				
- property, plant and equipment (Note 11)	627,112	519,531	88,849	6,982
- investment properties (Note 12)	8,982	8,967	-	-
- rights-of-use assets (Note 13)	131,323	-	3,141	-
Amortisation of:				
- rights on airport business (Note 20)	4,195	4,196	-	-
- rights on port business (Note 20)	8,814	8,189	-	-
- rights on concession assets (Note 20)	-	3,504	-	-
Impairment of:				
- trade and other receivables (Note 24)	63,582	18,172	-	-
- property, plant and equipment	-	2,829	-	-
Changes in fair value of derivative financial instruments	-	3,868	-	3,868
Allowance for slow moving stocks	16,463	12,083	-	-
Service contract expense on plant and machinery	136,687	-	-	-
Hire of plant and machinery	-	154,454	-	-
Service contract expense on land and buildings	22,985	-	-	-
Rental of land and buildings	-	147,719	-	2,485
Write-off of property, plant and equipment	5,789	8,776	-	20
Staff costs (including Executive Directors' remuneration (Note 7(ii)):				
- wages, salaries and bonuses	710,001	653,843	42,620	50,123
- defined contribution plan	78,359	70,623	6,053	7,202
- other employee benefits	107,735	80,270	2,864	2,771
Contributions to charitable organisations	18,710	64,110	10,210	35,110
Provision for retirement benefit	15,773	7,846	-	-
Fair value loss on reclassification of investment in an associate to investment securities	-	-	-	1,658

7. PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(i) Profit before zakat and taxation is arrived at: (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After crediting:				
Amortisation of:				
- land lease received in advance (Note 30)	-	11,002	-	-
- deferred income (Note 32)	29,755	29,285	-	-
Income from subleasing of rights-of-use assets (Note 30)	8,757	-	-	-
Rental income	878	1,772	817	391
Write-back of impairment of receivables (Note 24)	6,308	3,737	1,432	-
Interest income	62,809	39,212	21,210	22,471
Gross dividend income:				
- subsidiaries: unquoted in Malaysia	-	-	365,921	195,956
- associates: quoted in Malaysia	-	-	53,323	52,066
- joint ventures: unquoted in Malaysia	-	-	99,400	45,800
- other investments: unquoted in Malaysia	200	150	200	150
Gain on disposal of:				
- property, plant and equipment	5,055	2,174	332	3,241
- assets held for sale	36,110	4,805	20,054	2,076
Gain on derecognition of rights-of-use assets	6,925	-	-	-
Negative goodwill on acquisition of a subsidiary	-	51,175	-	-
Fair value gain on reclassification of investment in an associate to investment securities	-	15,233	-	-
Oil spill compensation	18,300	-	-	-

(ii) Directors' remuneration:

The aggregate amount of emoluments received by Directors of the Company during the financial year is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Non-Executive Directors:				
- fees	2,052	2,037	1,272	1,265
- other emoluments	443	475	398	435
- estimated monetary value of benefits-in-kind	269	293	268	293
Executive Director:				
- salaries and other emoluments	4,083	4,323	3,829	4,065
- defined contribution plan	651	488	651	488
- estimated monetary value of benefits-in-kind	167	167	166	167
	7,665	7,783	6,584	6,713

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

8. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax				
Current tax:				
- in respect of profit for the financial year	53,487	36,832	19,089	18,403
- under/(over) accrual in prior financial years (net)	46,345	(16,990)	-	(14,992)
	99,832	19,842	19,089	3,411
Deferred tax (Note 21):				
- origination and reversal of temporary differences	118,279	111,434	(14,000)	-
	218,111	131,276	5,089	3,411
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation and after zakat	518,521	398,313	445,858	209,175
Tax calculated at the applicable Malaysian tax rate of 24% (2018: 24%)	124,445	95,595	107,006	50,202
Tax effects of:				
- expenses not deductible for tax purposes	88,896	121,851	35,695	67,041
- income not subject to tax	(18,557)	(41,307)	(137,612)	(98,840)
- reversal of previously recognised deferred tax assets	35,819	-	-	-
- deferred tax expense not recognised during the financial year	13,606	21,766	-	-
- share of results of associates and joint ventures (net)	(72,443)	(49,639)	-	-
- under/(over) accrual in prior financial years (net)	46,345	(16,990)	-	(14,992)
Income tax expense	218,111	131,276	5,089	3,411

9. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019 RM'000	**2018 RM'000**
Profit attributable to ordinary equity holders of the Company	255,166	220,080
Weighted average number of ordinary shares in issue ('000)	3,045,058	3,045,058
Basic/diluted earnings per share (sen)	8.4	7.2

Basic and diluted earnings per ordinary share are the same as there are no potential ordinary shares in issue.

10. DIVIDEND

	Group and Company	
	2019 RM'000	**2018 RM'000**
Dividend paid:		
In respect of financial year ended 31 December 2017:		
A final single-tier dividend of 4.0 sen per ordinary share on 3,045,058,552 ordinary shares paid on 5 July 2018	-	121,802
In respect of financial year ended 31 December 2018:		
A final single-tier dividend of 4.0 sen per ordinary share on 3,045,058,552 ordinary shares paid on 26 June 2019	121,802	-

On 10 April 2020, the Board of Directors has approved and declared a dividend of 4.5 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM137,027,635 in respect of the financial year ended 31 December 2019. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2020.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2019 (Continued)

11. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold properties RM'000	Leasehold properties RM'000	Building and port structures RM'000	Mining leases properties RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2019 – as previously reported		109,585	439,512	6,904,904	44	4,981,862	443,851	12,879,758
Effects of adoption of MFRS 16	42	(9,249)	(425,389)	(296,060)	-	-	-	(730,698)
As restated		100,336	14,123	6,608,844	44	4,981,862	443,851	12,149,060
Disposals		-	-	(6,534)	-	(63,282)	(12)	(69,828)
Additions		-	-	555	-	142,225	423,479	566,259
Reclassifications		-	-	137,008	-	552,116	(689,124)	-
Reclassification to investment properties	12	-	(14,123)	(26,803)	-	-	-	(40,926)
Reclassification from intangible assets	20	-	-	5,130	-	-	-	5,130
Reclassification to assets held for sale	23	-	-	-	-	(11,976)	-	(11,976)
Reclassification from assets held for sale	23	-	-	19,727	-	-	-	19,727
Write-off		-	-	(6,970)	-	(32,291)	(1,212)	(40,473)
At 31 December 2019		100,336	-	6,730,957	44	5,568,654	176,982	12,576,973
Accumulated depreciation								
At 1 January 2019 – as previously reported		(2,282)	(59,373)	(1,291,516)	-	(2,038,875)	-	(3,392,046)
Effects of adoption of MFRS 16	42	994	58,918	66,580	-	-	-	126,492
As restated		(1,288)	(455)	(1,224,936)	-	(2,038,875)	-	(3,265,554)
Depreciation		(48)	-	(164,055)	-	(463,009)	-	(627,112)
Disposals		-	-	1,609	-	57,256	-	58,865
Reclassification to investment properties	12	-	455	1,971	-	-	-	2,426
Reclassification from intangible assets	20	-	-	(224)	-	-	-	(224)
Reclassification to assets held for sale	23	-	-	-	-	3,885	-	3,885
Reclassification from assets held for sale	23	-	-	(10,754)	-	-	-	(10,754)
Write-off		-	-	5,362	-	29,322	-	34,684
At 31 December 2019		(1,336)	-	(1,391,027)	-	(2,411,421)	-	(3,803,784)
Accumulated impairment losses								
At 1 January 2019		(447)	-	(1,348)	-	(4,046)	-	(5,841)
Effects of adoption of MFRS 16	42	447	-	-	-	-	-	447
As restated/At 31 December 2019		-	-	(1,348)	-	(4,046)	-	(5,394)
Net book value								
31 December 2019		99,000	-	5,338,582	44	3,153,187	176,982	8,767,795

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold properties RM'000	Leasehold properties RM'000	Building and port structures RM'000	Mining leases properties RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2018	127,041	461,291	4,729,363	44	4,289,075	435,032	10,041,846
Acquisition of a subsidiary	-	-	1,119,248	-	285,437	21,762	1,426,447
Disposals	-	(2,233)	-	-	(31,040)	-	(33,273)
Additions	8,051	-	82,790	-	300,533	496,058	887,432
Reclassifications	-	-	283,537	-	223,881	(507,418)	-
Reclassification from intangible assets (Note 20)	-	-	690,534	-	-	-	690,534
Reclassification to assets held for sale (Note 23)	(25,507)	(19,546)	-	-	(47,878)	-	(92,931)
Write-off	-	-	-	-	(40,982)	(1,583)	(42,565)
#Adjustments	-	-	(568)	-	2,837	-	2,269
At 31 December 2018	109,585	439,512	6,904,904	44	4,981,863	443,851	12,879,759
Accumulated depreciation							
At 1 January 2018	(7,869)	(47,941)	(1,097,462)	-	(1,781,551)	-	(2,934,823)
Depreciation	(596)	(13,591)	(145,424)	-	(359,920)	-	(519,531)
Disposals	-	-	-	-	27,513	-	27,513
Reclassification from intangible assets (Note 20)	-	-	(48,630)	-	-	-	(48,630)
Reclassification to assets held for sale (Note 23)	6,183	2,159	-	-	41,294	-	49,636
Write-off	-	-	-	-	33,789	-	33,789
At 31 December 2018	(2,282)	(59,373)	(1,291,516)	-	(2,038,875)	-	(3,392,046)
Accumulated impairment losses							
At 1 January 2018	(11,257)	-	(1,348)	-	(5,526)	(103)	(18,234)
Impairment loss	-	-	-	-	(2,932)	103	(2,829)
Reclassification to assets held for sale (Note 23)	10,810	-	-	-	4,412	-	15,222
At 31 December 2018	(447)	-	(1,348)	-	(4,046)	-	(5,841)
Net book value							
At 31 December 2018	106,856	380,139	5,612,040	44	2,938,942	443,851	9,481,872

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold properties RM'000	Leasehold properties RM'000	Mining leases properties RM'000	Plant, machinery and equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost						
At 1 January 2019 – as previously reported	826	1,756	44	57,775	140,739	201,140
Effects of adoption of MFRS 16 (Note 42)	-	(1,756)	-	-	-	(1,756)
As restated	826	-	44	57,775	140,739	199,384
Additions	-	-	-	4,178	33,300	37,478
Disposals	-	-	-	(6,353)	-	(6,353)
Reclassification	-	-	-	174,039	(174,039)	-
At 31 December 2019	826	-	44	229,639	-	230,509
Accumulated depreciation						
At 1 January 2019 – as previously reported	-	(547)	-	(35,711)	-	(36,258)
Effects of adoption of MFRS 16 (Note 42)	-	547	-	-	-	547
As restated	-	-	-	(35,711)	-	(35,711)
Depreciation	-	-	-	(88,849)	-	(88,849)
Disposals	-	-	-	6,324	-	6,324
At 31 December 2019	-	-	-	(118,236)	-	(118,236)
Accumulated impairment losses						
At 1 January 2019/31 December 2019	-	-	-	(413)	-	(413)
Net book value						
At 31 December 2019	826	-	44	110,990	-	111,860

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold properties RM'000	Leasehold properties RM'000	Mining leases properties RM'000	Plant, machinery and equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost						
At 1 January 2018	826	5,620	44	55,902	110,993	173,385
Additions	-	-	-	7,942	45,534	53,476
Disposals	-	-	-	(16,442)	-	(16,442)
Reclassification	-	-	-	15,788	(15,788)	-
Reclassification to assets held for sale (Note 23)	-	(3,864)	-	-	-	(3,864)
Write-off	-	-	-	(5,415)	-	(5,415)
At 31 December 2018	826	1,756	44	57,775	140,739	201,140
Accumulated depreciation						
At 1 January 2018	-	(1,577)	-	(50,109)	-	(51,686)
Depreciation		(38)	-	(6,944)	-	(6,982)
Disposals	-	-	-	15,947	-	15,947
Reclassification to assets held for sale (Note 23)	-	1,068	-	-	-	1,068
Write-off	-	-	-	5,395	-	5,395
At 31 December 2018	-	(547)	-	(35,711)	-	(36,258)
Accumulated impairment losses						
At 1 January 2018/31 December 2018	-	-	-	(413)	-	(413)
Net book value						
At 31 December 2018	826	1,209	44	21,651	140,739	164,469

	Group	
	2019 RM'000	2018 RM'000
Net book value of property, plant and equipment pledged as security for borrowings	3,988,480	4,333,922

Included in the property, plant and equipment of the Group is interest capitalised during the financial year at a rate ranging from 4.5% to 5.9% per annum (2018: 3.8% to 6.2%) amounting to RM6.6 million (2018: RM12.5 million).

Group leases some of its building and port infrastructure to third parties and earns rental income over the lease period which is short term in nature. The credit terms of the rental income vary from 30 to 60 days. The rental income is disclosed in Note 4.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

12. INVESTMENT PROPERTIES

Group	Landlease rental RM'000	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
Cost					
At 1 January 2019 – as previously reported	-	946,673	292,504	161,506	1,400,683
Effects of adoption of MFRS 16 (Note 42)	54,192	-	-	-	54,192
As restated	54,192	946,673	292,504	161,506	1,454,875
Additions	-	466	-	133,723	134,189
Reclassification from property, plant and equipment (Note 11)	-	40,926	-	-	40,926
Reclassification to assets held for sale (Note 23)	-	(10,301)	-	-	(10,301)
At 31 December 2019	54,192	977,764	292,504	295,229	1,619,689
Accumulated depreciation					
At 1 January 2019 – as previously reported	-	(87,645)	(7,793)	-	(95,438)
Effects of adoption of MFRS 16 (Note 42)	(16,989)	-	-	-	(16,989)
As restated	(16,989)	(87,645)	(7,793)	-	(112,427)
Depreciation	(1,022)	(7,299)	(661)		(8,982)
Reclassification from property, plant and equipment (Note 11)	-	(2,426)	-	-	(2,426)
Reclassification to assets held for sale (Note 23)	-	875	-	-	875
At 31 December 2019	(18,011)	(96,495)	(8,454)	-	(122,960)
Accumulated impairment losses					
At 1 January 2019/31 December 2019	-	-	(888)	-	(888)
Net book value					
At 31 December 2019	36,181	881,269	283,162	295,229	1,495,841
Fair value					
At 31 December 2019	36,181	2,599,832	437,034	295,229	3,368,276

12. INVESTMENT PROPERTIES (CONTINUED)

Group	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
Cost				
At 1 January 2018	946,673	292,504	84,458	1,323,635
Additions	-	-	77,048	77,048
At 31 December 2018	946,673	292,504	161,506	1,400,683
Accumulated depreciation				
At 1 January 2018	(79,210)	(7,261)	-	(86,471)
Depreciation	(8,435)	(532)	-	(8,967)
At 31 December 2018	(87,645)	(7,793)	-	(95,438)
Accumulated impairment losses				
At 1 January 2018/31 December 2018	-	(888)	-	(888)
Net book value				
At 31 December 2018	859,028	283,823	161,506	1,304,357
Fair value				
At 31 December 2018	2,574,669	430,292	161,506	3,166,467

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

12. INVESTMENT PROPERTIES (CONTINUED)

The fair value as at 31 December 2019 and 31 December 2018, excluding capital work in progress which is valued based on actual transacted cost, were conducted by qualified professional valuers who have recent experience in location and category of the property being valued, based on the market comparable approach that reflects the recent transactions prices for the similar properties and are within level 2 of the fair value hierarchy as described in Note 41.

	Group	
	2019 RM'000	2018 RM'000
Net book value of investment properties pledged as security for borrowings	1,146,672	1,020,534

Rental income generated from and direct operating expenses incurred on investment properties are as follows:

	Group	
	2019 RM'000	2018 RM'000
Rental income	11,443	3,596
Direct operating expenses	582	536

Included in the investment properties of the Group is interest capitalised during the financial year at a rate ranging from 5.00% to 5.49% per annum (2018: 5.28% to 5.73%) amounting to RM14.4 million (2018: RM10.8 million).

Certain investment properties of the Group are leased to tenants under operating leases. Lease receivables for investment properties with carrying amount of RM878.9 million had been prepaid in full for the full tenure of the lease as disclosed in Note 31. Rentals on investment properties with carrying amount of RM24.8 million are payable on a monthly basis and the maturity analysis of rental receivables are as follows:

	Within 1 year RM'000	Between 1 to 5 years RM'000	After 5 years RM'000	Total RM'000
Rental receivables	2,653	1,650	-	4,303

13. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

(a) Rights-of-use assets

Group	Land lease and building rental RM'000	Machinery and equipment rental RM'000	Leasehold land RM'000	Motor vehicle rental RM'000	Total RM'000
At 1 January 2019 – as previously reported	-	-	-	-	-
Effects of adoption of MFRS 16 (Note 42)	1,626,484	147,832	221,859	370	1,996,545
As restated	1,626,484	147,832	221,859	370	1,996,545
Additions	17,281	64,648	1,779	1,294	85,002
Depreciation	(67,660)	(51,593)	(11,517)	(553)	(131,323)
Reclassification from assets held for sale (Note 23)	-	-	138,852	-	138,852
Derecognition*	(1,168)	-	-	-	(1,168)
At 31 December 2019	1,574,937	160,887	350,973	1,111	2,087,908

* Derecognition of the rights-of-use assets during 2019 is as a result of entering into a finance sublease.

13. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Rights-of-use assets (continued)

The Company has lease contracts for office spaces with the contract terms ranging from 2 to 6 years.

Company	Building rental RM'000	Leasehold land RM'000	Total RM'000
At 1 January 2019 – as previously reported	-	-	-
Effects of adoption of MFRS 16 (Note 42)	-	1,209	1,209
As restated	-	1,209	1,209
Addition	15,753	-	15,753
Depreciation	(3,123)	(18)	(3,141)
At 31 December 2019	12,630	1,191	13,821

The Group leases various land and buildings, machinery and equipment and motor vehicle. Rental contracts for land and building ranges from 2 years to 99 years, whilst rental for other assets ranges from 2 years to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants. There are no variable payment terms on the above leases. Extension and termination options are included in a number of equipment leases across the Group. The individual terms and conditions used vary across the Group. In cases in which the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. There is no revision in lease terms during the year.

(b) Lease liabilities

	Group	Company
	RM'000	RM'000
At 1 January 2019 – as previously reported	-	-
Effects of adoption of MFRS 16 (Note 42)	2,237,236	-
As restated	2,237,236	-
Addition	85,002	15,753
Interest charged	131,133	689
Payment	(168,877)	(3,625)
Adjustment	(21,862)	-
At 31 December 2019	2,262,632	12,817
Analysed as follows:		
Current	147,351	2,925
Non-current	2,115,281	9,892
At 31 December 2019	2,262,632	12,817

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

14. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2019 RM'000	Company 2018 RM'000
Investments in subsidiaries at cost:			
Unquoted shares		6,207,028	6,207,028
Redeemable convertible preference shares	14(b)	1,607,777	1,543,809
Less: accumulated impairment losses		(11,245)	(11,245)
Total		7,803,560	7,739,592

Details of the Group's subsidiaries are shown in Note 39.

(a) The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Pelabuhan Tanjung Pelepas Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2019			
NCI percentage of ownership interest and voting interest	30.0%		
Carrying amount of NCI	729,242	33,509	762,751
Profit allocated to NCI	42,338	2,906	45,244
Dividends paid to NCI of the Group	30,602	4,796	35,398
2018			
NCI percentage of ownership interest and voting interest	30.0%		
Carrying amount of NCI	701,972	31,245	733,217
Profit allocated to NCI	45,130	1,827	46,957
Dividends paid to NCI of the Group	30,902	-	30,902

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

The summarised financial statements before intra-group elimination of the Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Pelabuhan Tanjung Pelepas Sdn. Bhd.	
	2019 RM'000	**2018 RM'000**
NCI percentage of ownership interest and voting interest	30.0%	30.0%
As at 31 December		
Non-current assets	4,689,426	4,977,798
Current assets	920,168	862,236
Non-current liabilities	(1,252,324)	(3,001,098)
Current liabilities	(1,944,864)	(514,011)
Net assets	2,412,406	2,324,925
Year ended 31 December		
Revenue	1,320,523	1,294,290
Profit for the financial year	138,941	150,459
Total comprehensive income	137,861	157,500
Cash flows generated from operating activities	552,851	438,699
Cash flows used in investing activities	(171,426)	(488,171)
Cash flows (used in)/generated from financing activities	(337,726)	311,653
Net change in cash and cash equivalents	43,699	262,181

(b) Redeemable convertible preference shares ("RCPS")

During the current financial year, the Company subscribed to RCPS of RM281,105,000 (2018: RM396,656,000) issued by its subsidiaries by capitalisation of the amounts due from/to subsidiaries to strengthen the issuers' capital base. Certain subsidiaries had redeemed RCPS of RM217,137,000 (2018: Nil) during the current financial year, of which RM6,000,000 was made via cash and RM211,137,000 via intercompany settlement.

The main features of the RCPS are as follows:

(i) The issuer shall be at liberty to redeem the RCPS at the RCPS Issue Price at any time during the tenure of the RCPS by giving the holders of the RCPS notice of not less than 7 business days or less as may be agreed in writing by the RCPS holders.

(ii) The issuer shall have the discretion to decide whether to declare any dividends to the holders of RCPS at a rate to be determined by the Board of Directors from time to time. Such right to dividend shall be non-cumulative.

(iii) The tenure of the RCPS shall be twenty (20) years commencing from and including the RCPS issue date. The RCPS will be convertible into one (1) ordinary shares of RM1.00 in the issuer company ("Ordinary Shares") per one (1) unit of RCPS at anytime during the tenure of the RCPS. Any RCPS that are still not converted or redeemed at the end of the tenure will be automatically converted into new shares.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Redeemable convertible preference shares ("RCPS") (continued)

The main features of the RCPS are as follows: (Continued)

(iv) Prior to the conversion of the RCPS, the RCPS holder will not have the right to vote at any general meeting of the issuer unless the meeting is convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the principal undertakings or business(es) of the issuer or where the proposition to be submitted to the meeting directly affects the rights of the holders of the RCPS.

(v) The RCPS shall rank in priority to the ordinary shares of the issuer and shall be entitled to receive in priority to any distribution or payment to be made in favour of the holder of ordinary shares in the issuer, repayment in full of the Issue Amount of the RCPS in the event of the winding-up/liquidation of the issuer.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	128,870	129,718	-	-
Shares quoted in Malaysia, at cost	4,253,041	4,253,041	882,293	882,293
Share of post-acquisition reserves	564	57,700	-	-
Interests in associates	4,382,475	4,440,459	882,293	882,293
Market value of quoted associates:				
Shares quoted in Malaysia	2,727,004	2,627,247	780,995	718,157

Details of the Group's associates and the accounting periods used for applying the equity method of accounting for the associates' results are shown in Note 39.

The impairment losses are analysed as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	-	-	-	119,695
Reclassification to investment securities	-	-	-	(119,695)
At 31 December	-	-	-	-

On 9 March 2018, Zelan Berhad ceased to be an associate of the Group as the Group no longer has significant influence over the company. The Group had subsequently reclassified the investment in Zelan Berhad as an investment securities measured at fair value through other comprehensive income.

The diminution in market value of Malakoff Corporation Berhad ("Malakoff"), an associate quoted in Malaysia, does not represent an impairment to the carrying amount as stated above. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, management had determined the recoverable amount based on the discounted cash flows of Malakoff's power plants. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions.

15. INTERESTS IN ASSOCIATES (CONTINUED)

The key assumptions used for the discounted cash flows are as follows:

(a) Capacity factor of power plants: 30% to 77% (2018: 30% to 77%); and
(b) Discount rate used is 7.40% (2018: 8.75%).

Based on the assessment, the recoverable amount is higher than carrying value as at reporting date.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the interest in associate to exceed its recoverable amount.

The following table summarises the financial information of the Group's material associates which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

	2019		
Summarised financial information	**Malakoff Corporation Berhad RM'000**	**Gas Malaysia Berhad RM'000**	**Red Sea Gateway Terminal Company Limited RM'000**
Effective percentage of ownership interest	37.6%	30.9%	20.0%
As at 31 December			
Non-current assets	21,367,271	3,386,558	1,740,117
Current assets	7,832,195	1,088,810	319,483
Non-current liabilities	(16,362,206)	(358,224)	(730,865)
Current liabilities	(3,546,253)	(1,220,785)	(398,741)
Net assets	9,291,007	2,896,359	929,994
Non-controlling interests (NCI)	(368,905)	-	-
Perpetual sukuk	(800,000)	-	-
Net assets (excluding NCI)	8,122,102	2,896,359	929,994
Year ended 31 December			
Profit for the financial year	374,686	190,105	44,499
Non-controlling interests	(54,533)	-	-
Profit for the financial year (excluding NCI)	320,153	190,105	44,499
Other comprehensive (loss)/income	(143,736)	6,458	(20,726)
Total comprehensive income (excluding NCI)	176,417	196,563	23,773
Revenue	7,422,272	6,886,453	487,475
Depreciation and amortisation	(1,180,500)	(79,160)	(135,175)
Interest income	235,400	4,234	-
Interest expense	(926,300)	(15,366)	(48,841)
Income tax expense	(156,218)	(48,540)	(8,460)
Fair value based on hierarchy level 1	1,634,762	1,092,242	

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

15. INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2019				
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount:					
Effective percentage of ownership interest	37.6%	30.9%	20.0%		
As at 31 December					
Group's share of net assets (excluding NCI)	3,053,910	894,975	185,999	6,575	4,141,459
# Adjustments	241,163	673	(820)	-	241,016
Investments in associates	3,295,073	895,648	185,179	6,575	4,382,475
Group's share of results					
Year ended 31 December					
Group's share of net profit for the financial year (excluding NCI)	120,378	58,803	8,900	236	188,317
Adjustments	(19,224)	-	(1,323)	1	(20,546)
Group's share of other comprehensive (loss)/income	(54,017)	1,996	(4,117)	-	(56,138)
Group's share of total comprehensive income	47,137	60,799	3,460	237	111,633
Other information					
Gross dividends received by the Group	111,614	54,811	-	-	166,425

Note:
Adjustments primarily relate to goodwill and foreign exchange difference

15. INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2018		
Summarised financial information	**Malakoff Corporation Berhad RM'000**	**Gas Malaysia Berhad RM'000**	**Red Sea Gateway Terminal Company Limited RM'000**
Effective percentage of ownership interest	37.6%	30.9%	20.0%
As at 31 December			
Non-current assets	23,406,523	3,218,619	1,855,670
Current assets	8,213,585	1,155,239	205,421
Non-current liabilities	(18,928,087)	(348,449)	(876,522)
Current liabilities	(3,389,067)	(1,147,973)	(269,850)
As at 31 December			
Net assets	9,302,954	2,877,436	914,719
Non-controlling interests (NCI)	(219,686)	-	-
Perpetual sukuk	(800,000)	-	-
Net assets (excluding NCI)	8,283,268	2,877,436	914,719
Year ended 31 December			
Profit for the financial year	323,480	180,392	26,708
Non-controlling interests	(49,047)	-	-
Profit for the financial year (excluding NCI)	274,433	180,392	26,708
Other comprehensive (loss)/income	(51,685)	234	-
Total comprehensive income (excluding NCI)	222,748	180,626	26,708
Revenue	7,348,230	6,233,243	371,683
Depreciation and amortisation	(1,134,000)	(66,530)	(132,570)
Interest income	241,688	6,822	-
Interest expense	(963,851)	(12,130)	(48,073)
Income tax expense	(235,693)	(50,227)	(2,341)
Fair value based on hierarchy level 1	1,503,230	1,124,017	

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

15. INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2018				
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount:					
Effective percentage of ownership interest	37.6%	30.9%	20.0%		
As at 31 December					
Group's share of net assets (excluding NCI)	3,114,509	889,128	182,944	6,345	4,192,926
# Adjustments	245,041	532	1,960	-	247,533
Investments in associates	3,359,550	889,660	184,904	6,345	4,440,459
Group's share of results					
Year ended 31 December					
Group's share of net profit/(loss) for the financial year (excluding NCI)	103,186	55,741	5,342	(7,616)	156,653
Adjustments	(16,921)	4,484	126	-	(12,311)
Group's share of other comprehensive (loss)/income	(19,437)	72	-	-	(19,365)
Group's share of total comprehensive income/(loss)	66,828	60,297	5,468	(7,616)	124,977
Other information					
Gross dividends received by the Group	108,984	53,619	-	-	162,603

Note:
#Adjustments primarily relate to goodwill and foreign exchange difference

16. INVESTMENTS IN JOINT ARRANGEMENTS

All the Group's joint arrangements have a financial year ending 31 December, which is consistent with the Group.

Investments in joint ventures

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost:				
Unquoted shares, in Malaysia	190,047	189,547	21,881	21,881
Share of post-acquisition reserves	142,990	111,317	-	-
	333,037	300,864	21,881	21,881

Details of the Group's joint ventures are shown in Note 39.

The Group has applied the equity method of accounting consistently for all joint ventures within the Group.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

16. INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures:

	2019			
Summarised financial information	**MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000**	**MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000**	**MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000**	**Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000**
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%
As at 31 December				
Non-current assets	560,783	275	611,899	382,532
Current assets	967,099	377,552	1,592,684	55,512
Non-current liabilities	(525,148)	-	(10,845)	(305,914)
Current liabilities	(667,502)	(285,822)	(2,040,161)	(45,522)
Deposits, cash and bank balances	85,984	257,651	141,285	53,164
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	-	(305,914)
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	(10,000)
Year ended 31 December				
Net profit/(loss)/total comprehensive income/(expense) for the financial year	228,598	49,325	38,456	(38,236)
Included in the net profit/(loss)/ total comprehensive income/(expense) is:				
Revenue	3,664,106	193,001	3,565,733	36,262
Depreciation and amortisation	(5,996)	(1,087)	(15,670)	(1,153)
Interest income	1,589	580	9,496	1,269
Interest expense	(142)	-	-	(17,995)
Income tax expense	(70,055)	(15,724)	(16,046)	-

16. INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2019					
	MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount:						
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%		
As at 31 December						
Group's share of net assets/carrying amount in the statement of financial position	165,355	50,069	76,411	27,690	13,512	333,037
Group's share of result						
Year ended 31 December						
Group's share of profit/(loss) for the financial year	114,299	24,662	19,228	(19,118)	(4,998)	134,073
Other information:						
Distribution received	25,000	15,000	-	-	62,400	102,400

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

16. INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2018			
Summarised financial information	**MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000**	**MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000**	**MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000**	**Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000**
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%
As at 31 December				
Non-current assets	284,015	511	556,798	394,429
Current assets	793,255	440,984	2,194,078	46,329
Non-current liabilities	(263,870)	(1,041)	(2,940)	(314,361)
Current liabilities	(661,289)	(359,645)	(2,638,834)	(33,783)
Deposits, cash and bank balances	37,729	265,630	445,349	35,004
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	-	(314,361)
Current financial liabilities (excluding trade and other payables and provisions)	(67,300)	(11,000)	-	(5,000)
Year ended 31 December				
Net profit/(loss)/total comprehensive income/(expense) for the financial year	130,300	(833)	(9,901)	(6,942)
Included in the net profit/(loss)/ total comprehensive income/(expense) is:				
Revenue	2,775,228	351,328	3,305,980	32,758
Depreciation and amortisation	(3,103)	(828)	(10,794)	(1,124)
Interest income	2,629	979	5,382	1,475
Interest expense	(199)	(793)	-	(18,106)
Income tax expense	(38,310)	(8,850)	(14,252)	(4)

16. INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2018					
	MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount:						
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%		
As at 31 December						
Group's share of net assets/carrying amount in the statement of financial position	76,056	40,405	57,183	46,306	80,914	300,864
Group's share of result						
Year ended 31 December						
Group's share of profit/(loss) for the financial year	65,150	(416)	(4,951)	(3,471)	6,174	62,486
Other information:						
Distribution received	27,500	17,300	-	-	8,500	53,300

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

16. INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The Group's share of capital commitment and contingent liabilities in the joint ventures are as set out below:

	Group	
	2019 RM'000	**2018 RM'000**
Capital commitment:		
Property, plant and equipment:		
Authorised and contracted for	5,916	13,616
Contingent liabilities:		
Performance bonds to Government of Malaysia	924,042	1,043,568
Advance payment guarantee	120,974	304,410

Investments in joint operations

Details of the Group's joint operations are shown in Note 39.

17. INVESTMENT SECURITIES

A reconciliation from opening balances to fair value measurement on level 1 of the fair value hierarchy as described in Note 41 is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	11,664	3,088	8,289	-
Reclassification from investment in an associate	-	33,158	-	33,158
Changes in fair value	20,919	(24,582)	19,895	(24,869)
	32,583	11,664	28,184	8,289
Less: non-current portion	-	(3,375)	-	-
	32,583	8,289	28,184	8,289

Investment securities classified as fair value through other comprehensive income as the investment securities are held for long term investment.

17. INVESTMENT SECURITIES (CONTINUED)

Investment securities comprise the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Listed equity securities:				
- in Malaysia	28,239	8,344	28,184	8,289
- outside Malaysia	4,344	3,320	-	-
	32,583	11,664	28,184	8,289

Investment securities are denominated in the following currencies:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	28,239	8,344	28,184	8,289
Australian Dollar	4,344	3,320	-	-
	32,583	11,664	28,184	8,289

18. AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Amounts due from subsidiaries	261,637	253,496
Less: allowance for impairment	(5)	(5)
	261,632	253,491
Amounts due to subsidiaries	106,389	69,613

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and have no fixed terms of repayment. However, these amounts are not expected to be recalled within the next twelve months as it is the intention of the Company to treat these amounts as a long term source of capital to the subsidiaries.

The amounts due to subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and are repayable on demand.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

18. AMOUNTS DUE FROM/TO SUBSIDIARIES (CONTINUED)

The impairment losses are analysed as follows:

	Company	
	2019 RM'000	2018 RM'000
At 1 January/31 December	5	5

19. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

Analysis of amounts recoverable after 12 months:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	52,076	-	-	-
Accumulated impairment losses	(22,076)	-	-	-
	30,000	-	-	-
Staff loans	3,448	4,093	-	-
Other receivables	174,838	184,043	-	-
Accumulated impairment losses	(92,632)	(57,632)	-	-
	82,206	126,411	-	-
	115,654	130,504	-	-
Mining exploration expenditure, at cost	9,962	9,962	9,962	9,962
Accumulated impairment losses	(9,962)	(9,962)	(9,962)	(9,962)
Total non-current receivables (Note 24)	115,654	130,504	-	-
Staff loans to eligible staff	3,611	4,766	-	-
Repayments due within the next twelve months	(163)	(673)	-	-
	3,448	4,093	-	-

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Please refer to Note 24 for further details.

Other receivables are non-trade in nature, interest free and not expected to be received within the next twelve months. Loss allowance is assessed individually for other receivables. Please refer to Note 24 for further details.

20. INTANGIBLE ASSETS

Group	Goodwill on consolidation RM'000	Rights on water treatment business RM'000	Rights on airport business RM'000	Rights on port business RM'000	Total RM'000
Cost					
At 1 January 2019	1,983,762	30,060	188,909	240,517	2,443,248
Reclassification to property, plant and equipment (Note 11)	-	-	-	(5,130)	(5,130)
Write-off	-	(30,060)	-	-	(30,060)
At 31 December 2019	1,983,762	-	188,909	235,387	2,408,058
Accumulated amortisation/ impairment losses					
At 1 January 2019	-	(30,060)	(42,757)	(19,306)	(92,123)
Amortisation charge	-	-	(4,195)	(8,814)	(13,009)
Reclassification to property, plant and equipment (Note 11)	-	-	-	224	224
Write-off	-	30,060	-	-	30,060
At 31 December 2019	-	-	(46,952)	(27,896)	(74,848)
Net book value					
At 31 December 2019	1,983,762	-	141,957	207,491	2,333,210

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

20. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill on consolidation RM'000	Rights on water treatment business RM'000	Rights on airport business RM'000	Rights on port business RM'000	Rights on concession assets RM'000	Total RM'000
Cost						
At 1 January 2018	1,983,762	30,060	188,909	196,025	690,491	3,089,247
Acquisition of a subsidiary (Note 40 (a))	-	-	-	44,492	-	44,492
Additions	-	-	-	-	43	43
Reclassification to property, plant and equipment (Note 11)	-	-	-	-	(690,534)	(690,534)
At 31 December 2018	1,983,762	30,060	188,909	240,517	-	2,443,248
Accumulated amortisation/ impairment losses						
At 1 January 2018	-	(30,060)	(38,561)	(11,117)	(45,126)	(124,864)
Amortisation charge	-	-	(4,196)	(8,189)	(3,504)	(15,889)
Reclassification to property, plant and equipment (Note 11)	-	-	-	-	48,630	48,630
At 31 December 2018	-	(30,060)	(42,757)	(19,306)	-	(92,123)
Net book value						
At 31 December 2018	1,983,762	-	146,152	221,211	-	2,351,125

20. INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

The carrying amounts of goodwill arising from the acquisition of the respective subsidiaries allocated to the Group's Cash Generating Units ("CGUs") are as follows:

	2019 RM'000	2018 RM'000
Pelabuhan Tanjung Pelepas Sdn. Bhd. ("PTP") - port business	1,512,366	1,512,366
NCB Holdings Bhd. ("NCB") - port business	280,891	280,891
Senai Airport Terminal Services Sdn. Bhd. - manage, operate, maintain and develop the Senai International Airport in Johor Darul Takzim and to provide airport and aviation related services and property development ("Airport City")	190,505	190,505
	1,983,762	1,983,762

(A) Port Business

Pelabuhan Tanjung Pelepas Sdn. Bhd.

The recoverable amount of the CGU is determined based on the value-in-use ("VIU") calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections. The key assumptions used in the calculation of VIU are as follows:

(a) Based on the business plan, the projected annual Twenty-Foot Equivalent Unit ("TEU") over the projection period from 2020 to 2024 (2018: 2019 to 2023), will be in the region of 8.5 million (2018: 8.5 million) TEUs;

(b) The cash flow projections after 2024 are extrapolated to the end of concession period using a nominal long-term growth rate of 3.0% (2018: 3.0%) per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and

(c) A pre-tax discount rate of 10.0% (2018: 10.0%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry Weighted Average Cost of Capital ("WACC"). The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amount.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

20. INTANGIBLE ASSETS (CONTINUED)

(A) Port Business (continued)

NCB Holdings Bhd.

The recoverable amount of the CGU is determined based on the VIU calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections. The key assumptions used in the calculation of VIU are as follows:

(a) Projected year on year TEU growth at 5.0% (2018:4.0%) from 2020 – 2024 (2018: 2019 to 2024), at 2.0% (2018:2.0%) from 2025 – 2027 and remain constant thereafter until the end of the concession period in year 2043.

(b) The cash flow projections are extrapolated to the end of concession using a nominal long-term average growth rate of 2.0% (2018:2.0%) per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and

(c) Pre-tax discount rate of 10.5% (2018: 10.5%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry WACC. The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amount.

(B) Airport City

Senai Airport City

The estimation of VIU is based on a single combined Airport City business unit to reflect the overall strategy of the Senai Airport Terminal Services Sdn. Bhd. ("SATS") group, whereby all of the activities within various companies within the SATS group are elements of the overall strategic master plan to develop Senai Airport City.

(a) Airport Operations

The recoverable amount of the Airport Operations is determined based on VIU approach. The VIU of the Airport Operations is determined by discounting the future cash flows to be generated from the continuing use of the assets over the remaining useful life of the concession.

The key assumptions used in the calculation of the VIU are as follows:

(i) Pre-tax discount rate of 10.7% (2018: 10.7%) per annum;
(ii) A high growth potential is projected due to the development of the Iskandar Development Region. The development is expected to significantly increase the number of passenger over the next 5 years (2018: 5 years) and thereafter a 1% to 2% (2018: 1% to 2%) growth rate is expected for the duration of the concession period;
(iii) The inflation rate is expected to remain at 3% to 5% (2018: 4% to 6%) per annum throughout the concession period; and
(iv) Non-aeronautical revenue is assumed to grow in tandem with passenger growth.

20. INTANGIBLE ASSETS (CONTINUED)

(B) Airport City (continued)

(b) Property Development Land

The recoverable amount of the property development land is determined based on the market value of the land which as of December 2019, has been valued at a price higher than the fair value upon acquisition.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

21. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	636,793	738,313	14,000	-
Deferred tax liabilities	(523,417)	(603,215)	-	-
	113,376	135,098	14,000	-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January – as previously reported	135,098	173,847	-	-
Effects of adoption of MFRS 16 (Note 42)	96,557	-	-	-
As restated	231,655	173,847	-	-
(Charged)/Credited to profit or loss (Note 8):				
- property, plant and equipment	(45,917)	(283,333)	17,940	(1,023)
- tax losses	(23,117)	-	-	-
- provisions	(3,421)	37,468	(4,026)	1,023
- receivables	1,595	-	-	-
- investment tax allowances	(35,205)	134,431	-	-
- rights-of-use assets	(10,428)	-	(3,317)	-
- lease liabilities	(1,786)	-	3,403	-
	(118,279)	(111,434)	14,000	-
Acquisition of a subsidiary	-	72,685	-	-
At 31 December	113,376	135,098	14,000	-

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

21. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subject to income tax:				
Deferred tax assets				
Property, plant and equipment	79,340	133,468	11,576	-
Tax losses	-	23,117	-	-
Receivables	1,595	-	-	-
Provisions	68,214	71,635	2,338	6,364
Investment tax allowances	1,107,485	1,142,690	-	-
Lease liabilities	535,151	-	3,403	-
Deferred tax assets (before offsetting)	1,791,785	1,370,910	17,317	6,364
Offsetting	(1,154,992)	(632,597)	(3,317)	(6,364)
Deferred tax assets (after offsetting)	636,793	738,313	14,000	-
Deferred tax liabilities				
Property, plant and equipment	(1,317,217)	(1,235,812)	-	(6,364)
Rights-of-use assets	(361,192)	-	(3,317)	-
Deferred tax liabilities (before offsetting)	(1,678,409)	(1,235,812)	(3,317)	6,364
Offsetting	1,154,992	632,597	3,317	(6,364)
Deferred tax liabilities (after offsetting)	(523,417)	(603,215)	-	-

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2019 RM'000	2018 RM'000
Deductible temporary differences	392,956	328,321
Unused tax losses	427,205	285,902
	820,161	614,223

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment.

22. INVENTORIES

	Group	
	2019 RM'000	**2018 RM'000**
Spares, consumables and container repair materials	122,819	119,342
Chemicals	146	134
Freehold land	3,523	3,236
Development expenditure	8,398	7,061
	134,886	129,773
Less: allowance for slow moving stocks	(41,563)	(25,100)
Current	93,323	104,673
Freehold land	1,634,171	1,634,171
Development expenditure	282,409	250,837
Non-current	1,916,580	1,885,008
	2,009,903	1,989,681

	Company	
	2019 RM'000	**2018 RM'000**
Consumables	1,659	2,460

Inventories of the Group of RM273.3 million (2018: RM274.4 million) comprising freehold land, spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 29.

Freehold land

Freehold land comprises several contiguous pieces of land with a total area of approximately 2,091.71 acres, earmarked for the development of a cargo and logistics hub, high-tech industries park and mixed development as an integral part of Senai Airport City.

Development expenditure

Development expenditure includes the cost incurred in relation to the development in a subsidiary's freehold properties.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

22. INVENTORIES (CONTINUED)

The allowance for slow moving stocks is analysed as follows:

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January	25,100	13,017
Provision during the financial year (Note 7(i))	16,463	12,083
At 31 December	41,563	25,100

23. ASSETS HELD FOR SALE

	Group	
	2019 RM'000	**2018 RM'000**
Property, plant and equipment	10,137	175,897
Rights-of-use assets	9,426	-
	19,563	175,897
At 1 January	175,897	148,454
Transfer to property, plant and equipment (Note 11)*	(8,973)	-
Transfer from property, plant and equipment (Note 11)	8,091	28,073
Transfer from investment properties (Note 12)	9,426	-
Transfer to rights-of-use assets (Note 13)*	(138,852)	-
Disposal	(26,026)	(630)
	19,563	175,897

* Following the indication that the sale of the property is no longer probable within 12 months, the said property has been reclassified back to property, plant and equipment and rights-of-use assets, in accordance with MFRS 5 "Non-Current Assets Held For Sale".

	Company	
	2019 RM'000	**2018 RM'000**
Property, plant and equipment	-	2,796
At 1 January	2,796	303
Transfer from property, plant and equipment (Note 11)	-	2,796
Disposal	(2,796)	(303)
	-	2,796

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	737,913	1,325,036	82,544	513,784
Less: impairment of trade receivables	(93,950)	(91,777)	(8)	(8)
	643,963	1,233,259	82,536	513,776
Other receivables	197,596	232,652	59,948	60,533
Less: impairment of other receivables	(8,724)	(10,699)	-	(1,432)
	188,872	221,953	59,948	59,101
Deposits	26,361	21,726	1,511	61
Prepayments	22,375	47,947	1,900	3,544
	237,608	291,626	63,359	62,706
Amounts due from associates	3,133	1,988	1,636	491
Amounts due from joint ventures	680,518	698,119	649,976	667,775
Total current receivables	1,565,222	2,224,992	797,507	1,244,748
Total non-current receivables (Note 19)	115,654	130,504	-	-
Total receivables	1,680,876	2,355,496	797,507	1,244,748

Credit terms of trade receivables of the Group and the Company varies from 30 to 60 days (2018: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade receivables due from a contractor of Klang Valley Mass Rapid Transit project and a major international shipping line customer, representing approximately 72% (2018: 50%) of the total trade receivables of the Group. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

Measurement of ECL – simplified approach

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on 1-year historical credit losses experienced by the Group and the Company. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Measurement of ECL – simplified approach (Continued)

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

Group

	Average collection period				
31 December 2019	**Current**	**Past due to 3 months**	**Past due 3 months to 6 months**	**Past due more than 6 months**	**Total**
Expected loss rate	0%	2%	24%	69%	
Gross carrying amount - trade receivables (RM'000)	449,614	155,282	33,496	151,597	789,989
Loss allowance (RM'000)	(352)	(2,571)	(8,118)	(104,985)	(116,026)
31 December 2018					
Expected loss rate	0%	0%	17%	44%	
Gross carrying amount – trade receivables (RM'000)	933,218	151,604	50,968	189,246	1,325,036
Loss allowance (RM'000)	(64)	(576)	(8,412)	(82,725)	(91,777)

Company

	Average collection period				
31 December 2019	**Current**	**Past due to 3 months**	**Past due 3 months to 6 months**	**Past due more than 6 months**	**Total**
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount – trade receivables (RM'000)	82,536	-	-	8	82,544
Loss allowance (RM'000)	-	-	-	(8)	(8)
31 December 2018					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount – trade receivables (RM'000)	513,776	-	-	8	513,784
Loss allowance (RM'000)	-	-	-	(8)	(8)

Measurement of ECL - general 3-stage approach

Other financial assets include other receivables, amount due from subsidiaries, associate and jointly controlled entities.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Measurement of ECL - general 3-stage approach (continued)

The following indicators are incorporated:
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.
- macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL.

Other receivables

Other receivables represent sundry receivables and non-interest bearing. Loss allowance is assessed for other receivables individually. The Group and the Company have provided an allowance of RM101,356,000 (2018: RM68,331,000) and nil (2018: RM1,432,000) respectively for impairment of its other receivables that are not considered recoverable.

Amounts due from associates and jointly controlled entities

The amounts due from associates and jointly controlled entities are unsecured, interest free, have no fixed terms of repayment and denominated in Ringgit Malaysia. The Group and the Company have assessed the loss allowance for amount due from associates and jointly controlled entities individually. As at reporting date, management is of the view that no loss allowance is to be recognised.

The currency exposure profile of trade and other receivables for the Group (excluding deposits and prepayments) are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Functional currency (RM)		
- US Dollar	96,433	132,247

Trade and other receivables for the Company are denominated in Ringgit Malaysia.

The Group's historical experience shows that the allowances for impaired receivables have been adequate and due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the impairment for trade and other receivables are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	160,108	145,978	1,440	1,440
Impairment during the financial year (Note 7(i))	63,582	18,172	-	-
Write-off	-	(305)	-	-
Write-back of impairment of receivables (Note 7(i))	(6,308)	(3,737)	(1,432)	-
At 31 December	217,382	160,108	8	1,440

The allowance and the write-back of allowance for impaired trade and other receivables have been included in "other operating expenses" in the statement of comprehensive income.

25. OTHER INVESTMENTS

Other investments comprise mainly investment of funds with investment banks for placement in fixed deposits.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other investments	1,334,998	561,026	729,767	197,464
Less: Other investments with maturity more than 90 days	(266,005)	-	-	-
Other investments – cash and cash equivalent	1,068,993	561,026	729,767	197,464
Weighted average interest rates (% per annum)	2.50 – 3.76	3.25 – 3.80	3.41 – 3.54	3.25 – 3.80
Tenure (days)	1 to 296	2 to 292	1 to 30	2 to 31

26. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with:				
Licensed banks	650,652	605,623	-	-
Other financial institutions	20,000	5,000	-	-
	670,652	610,623	-	-
Cash and bank balances	225,948	205,949	48,997	10,351
Deposits with maturity more than 90 days with:				
Licensed banks	163,035	180,868	-	-
Other financial institutions	15,011	58,222	-	-
	178,046	239,090	-	-
Total	1,074,646	1,055,662	48,997	10,351

The currency exposure profile of the deposits, bank and cash balances are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Functional currency (RM)				
- US Dollar	577	577	-	-

The weighted average interest rates of deposits, bank and cash balances that were effective as at end of reporting period are as follows:

	Group		Company	
	2019 RM'000 % per annum	2018 RM'000 % per annum	2019 RM'000 % per annum	2018 RM'000 % per annum
Deposits placed with:				
Licensed banks	3.43	3.48	-	-
Other financial institutions	3.57	4.12	-	-

The Group have deposits with an average maturity of 56 days (2018: 34 days)

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

27. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January /31 December	3,045,058	3,045,058	2,344,276	2,344,276

28. REDEEMABLE PREFERENCE SHARES ("RPS")

	Group	
	2019 RM'000	2018 RM'000
Nominal value of RPS at RM0.01 each:		
At 1 January/31 December	1,140	1,140
Premium on RPS:		
At 1 January/31 December	112,911	112,911
	114,051	114,051
Dividend on RPS	16,674	33,349
Classified as liabilities	130,725	147,400
Less: accumulated redemption	(114,051)	(114,051)
At 31 December	16,674	33,349
Amount recognised within the next twelve months (Note 31)	(16,674)	(16,675)
Classified as non-current liabilities	-	16,674

Details of the RPS are as follows:

(i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 30 September of every year starting from 30 September 2013 to 30 September 2017. As at reporting date, the RPS has been fully redeemed.

(ii) The holders of the RPS shall have the right to receive a fixed cumulative preferential dividend of RM50.0 million for all the RPS based on par value of RM0.01 per share and which shall be payable in three equal instalments on 30 September 2018, 30 September 2019 and 30 September 2020.

(iii) The RPS shall not confer any voting right except where the rights of the RPS are affected.

(iv) In the event of liquidation, the holders of the RPS shall rank pari passu with the holders of ordinary shares and shall rank in priority to the other holders of preference shares, save for the Special Share in respect of any distribution or repayment of capital.

29. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Secured:				
Term loans	168,938	386,032	-	150,000
Islamic Medium Term Notes	1,494,253	13,237	-	-
Unsecured:				
Term loans	12,510	1,004,170	12,510	4,170
Revolving Credits	909,631	1,033,731	555,000	810,000
Sukuk	360,000	-	360,000	-
Government Loan	100,000	100,000	-	-
	3,045,332	2,537,170	927,510	964,170
Non-current				
Secured:				
Term loans	2,373,029	2,333,863	-	-
Islamic Medium Term Notes	509,155	1,984,105	-	-
Unsecured:				
Term loans	129,150	145,830	129,150	145,830
Sukuk	4,324,253	3,682,356	2,135,053	2,494,454
	7,335,587	8,146,154	2,264,203	2,640,284
Total	10,380,919	10,683,324	3,191,713	3,604,454
Fair values of borrowings	10,321,985	10,635,990	3,200,398	3,598,982

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis of repayment schedule:				
Within 1 year	3,045,332	2,537,170	927,510	964,170
From 1 to 2 years	214,179	2,145,453	16,680	393,360
From 2 to 5 years	3,222,249	2,283,677	212,470	212,470
After 5 years	3,899,159	3,717,024	2,035,053	2,034,454
	10,380,919	10,683,324	3,191,713	3,604,454

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

29. BORROWINGS (CONTINUED)

Ports and Logistics

(i) A term loan of a subsidiary has a fixed interest rate of 4% per annum. The term loan is repayable in equal semi-annual instalments between 2019 to 2021.

The second term loan has a fixed interest rate of 6.2% per annum. The term loan is repayable in equal semi-annual instalments between 2019 to 2029.

The third term loan has a fixed interest rate of 5% per annum. The term loan is repayable in equal semi-annual instalments between 2019 to 2028.

The term loans are repayable in equal semi-annual instalments ranging from 6 to 21 equal instalments between 2019 to 2029.

The term loans are secured by:

(a) a fixed and floating charge by way of debenture over all the assets and undertaking of the subsidiary;
(b) a charge on the specific Designated Accounts and all monies standing to the credit of the subsidiary; and
(c) assignment of certain rights and benefits of the subsidiary.

(ii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2010 was established in accordance with Shariah principle of Musyarakah. Profit rates on the IMTN are charged at a fixed rate which ranges from 3.75% to 4.36% per annum. The tenure of the IMTN commencing from date of the first issuance of the IMTN and ending on a date falling 10 years thereafter, with redemption in September 2020.

During the current financial year, the IMTN was classified as current liability. The Group is currently in the process of refinancing the borrowings amounting to RM1.5 billion via a Sukuk program. The Sukuk program is targeted to be lodged with the Securities Commission in the second quarter of 2020.

(iii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2018 was established under the Shariah principle of Murabahah via Tawarruq arrangement. There are four tranches with tenure ranging between 10 to 15 years. Profit rates on the IMTN are charged at a fixed rate which ranges from 4.45% to 4.89% per annum.

(iv) A revolving credit (Murabahah Tawarruq) of a subsidiary is charged at profit rate of 1.25% per annum for the first 36 months and subsequently 1% per annum above the islamic cost of funds rate and repayable in full at the end of each profit period, unless rollover. Profit shall be paid in arrears upon maturity of each period at prevailing rate.

In 2019, the subsidiary had applied to amend a financial covenant for the revolving credit to ensure that the impact of adoption of the new accounting standard, MFRS 16 "Leases" which became effective on 1 January 2019, did not result in a non-compliance of its obligations under the revolving credit facility. The financier had acknowledged the impact and agreed to make the necessary adjustments to the financial covenant as at 31 December 2019. The approval of the financier has since been obtained.

(v) A revolving credit-i facility of a subsidiary is subject to profit rate of 0.90% per annum above the bank's cost of funds and due payment shall be made in full based on the profit period (90 days) on the maturity date.

(vi) A Tawarruq financing facility was entered by a subsidiary with a nominal value of RM92 million. The subsidiary has drawn down RM67.5 million as at 31 December 2019, with financing to equity ratio of not more than 80:20. The subsidiary shall maintain a minimum cumulative finance service cover ratio ("FSCR") of 1.25 times.

(vii) The Islamic Commercial Paper ("ICP") and IMTN programme entered into by a subsidiary in 2014 with a combined nominal value of RM1.5 billion and a sub-limit on the ICP of RM500.0 million in nominal value were established in accordance with Shariah principle of Musharakah (collectively known as Sukuk Musharakah programmes). As at reporting date, the subsidiary had issued RM450 million Sukuk Musharakah under its IMTN programme which RM350 million has a 10-year tenure maturing December 2024, carries a profit rate of 5.78% per annum and RM100 million has a 5-year tenure maturing December 2022, carries a profit rate of 5.00% per annum.

29. BORROWINGS (CONTINUED)

Ports and Logistics (Continued)

(viii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2017 with a nominal value of RM1.0 billion was established in accordance with Shariah principle of Murabahah. As at reporting date, the subsidiary had issued RM750 million under its IMTN programme with tenure ranging from 5 to 10 years. The profit rates on the IMTN ranging from 5.00% to 5.38% per annum.

In 2019, the subsidiary had applied to amend a financial covenant for IMTN to ensure that the impact of adoption of the new accounting standard, MFRS 16 "Leases" which became effective on 1 January 2019, did not result in a non-compliance of its obligations under the IMTN facility. The financiers had acknowledged the impact and agreed to obtain the approval of the IMTN holders to make the necessary adjustments to the financial covenant as at 31 December 2019. The approval of the IMTN holders has since been obtained.

(ix) A term loan of a subsidiary in 2018 which carried effective cost of funds rate plus 0.90% per annum had been settled in the current financial year through the issuance of IMTN programme. As at reporting date, the subsidiary had issued RM1.0 billion under the IMTN programme with tenure ranging from 7 to 12 years. The profit rates on the IMTN ranging from 4.30% to 4.68% per annum.

Engineering

(x) The revolving credits of subsidiaries are unsecured and bear an effective interest rate of 4.9% (2018: 4.6% to 5.1%) per annum.

Corporate and others

(xi) The term loans of the Company are unsecured. Interest rates on the term loans of the Company ranges from 4.30% to 4.50% (2018: 4.55% to 5.70%) per annum. The remaining tenure of the loans are 3 years with scheduled and bullet repayments.

(xii) The IMTN entered into by a subsidiary in 2011 was established in accordance with the Shariah principle of Ijarah. The IMTN program comprised a first tranche with a tenure of 13 years and a second tranche with a tenure of 11.5 years, commencing from date of the issuance of each tranche. The profit rates for the first and second tranche are charged at 4.218% per annum and 4.118% per annum respectively, payable on semi-annually.

(xiii) The revolving credit facilities of the Company bear interest ranging from 4.05% to 4.72% per annum (2018: 4.32% to 5.00% per annum).

(xiv) The Government loan of a subsidiary is repayable starting on the sixth concession year in ten equal instalments and each payment shall be made within the first month of the particular concession year.

(xv) The IMTN programme entered into by the Company in 2015 was established in accordance with Shariah principle of Murabahah (via tawarruq arrangement). The remaining tenure of the IMTNs issued under the programme ranges from 1 years to 9 years. Profit rates on the IMTN issued are at fixed rates ranging from 5.20% to 5.95% per annum.

(xvi) Term loans of subsidiaries are secured by certain assets within the Group. The interest rates range from 3.98% to 5.69% (2018: 4.95% to 6.00%) per annum with remaining loan tenure ranges of 4 years.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

30. LAND LEASE RECEIVED IN ADVANCE

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January 2019 – as previously reported	264,890	252,828
Effects of adoption of MFRS 16 (Note 42)	(178,999)	-
As restated	85,891	252,828
Additions during the financial year	-	23,064
Recognised as income during the financial year (Note 7(i))	(8,757)	(11,002)
	77,134	264,890
Reclassed to trade and other payables (Note 31)	(77,134)	-
At 31 December	-	264,890
Analysed as:		
Current (included under other payables) (Note 31)	-	15,394
Non-current	-	249,496
Total	-	264,890

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Trade payables	394,279	353,585	165,233	88,726
Other payables	414,499	441,162	9,780	24,382
Accruals	680,094	1,024,347	42,691	138,668
Dividend payable on RPS (Note 28)	16,674	16,675	-	-
Land lease received in advance (Note 30 & 31 (d))	6,853	15,394	-	-
Land lease liabilities (Note 31(a))	-	1,630	-	-
Finance lease liabilities (Note 31(a))	-	514	-	-
Concession fee payable (Note 31(b))	14,000	16,000	-	-
Provision for retirement benefits (Note 31(c))	39,824	13,218	-	-
	1,566,223	1,882,525	217,704	251,776
Non-current				
Trade payables	56,935	42,200	56,935	42,200
Other payables	59,646	333,552	-	-
Land lease received in advance (Note 30)	70,281	-	-	-
Land lease liabilities (Note 31(a))	-	7,720	-	-
	186,862	383,472	56,935	42,200
Total	1,753,085	2,265,997	274,639	293,976

31. TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of the trade and other payables are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Functional currency (RM):				
- US Dollar	1,758	3,290	-	-
- Others	-	794	-	-
	1,758	4,084	-	-

Credit terms of trade payables granted to the Group and the Company vary from immediate payment to 90 days (2018: immediate payment to 90 days).

(a) Lease liabilities

	Group			
	Land lease liabilities		Finance lease liabilities	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Not later than 1 year	-	2,328	-	520
Later than 1 year and not later than 5 years	-	9,006	-	-
	-	11,334	-	520
Less: unexpired term charges	-	(1,984)	-	(6)
	-	9,350	-	514
Present value of finance lease obligations:				
Not later than 1 year	-	1,630	-	514
Later than 1 year and not later than 5 years	-	7,720	-	-
	-	9,350	-	514

In 2018, the land lease liabilities are in respect of the airport land which was leased by a subsidiary from the Federal Land Commissioner.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

31. TRADE AND OTHER PAYABLES (CONTINUED)

(b) Concession fee payable

	Group	
	2019 RM'000	**2018 RM'000**
Not later than 1 year	14,000	16,000

A Concession Agreement was entered by a subsidiary with the Federal Government for a cumulative period of 50 years commencing 1 November 2003 to operate, manage and develop the Senai International Airport, Johor Darul Takzim. The said agreement is subject to the continued existence of the operating license granted by the Federal Government which is for a period of 50 years commencing on the same date with an option to extend for a further period upon terms and conditions to be mutually agreed.

The concession fee is payable to Federal Government which is for the rights granted to operate, manage and develop the Airport, as disclosed above.

(c) Provision for retirement benefits

	Group	
	2019 RM'000	**2018 RM'000**
Present value of unfunded obligations	116,851	139,023
Net liability recognised in the statement of financial position	116,851	139,023
Analysed as:		
Current	39,824	13,218
Non-current	77,027	125,805
	116,851	139,023

31. TRADE AND OTHER PAYABLES (CONTINUED)

(c) Provision for retirement benefits (Continued)

Movement in defined benefit liabilities:

	Group	
	2019 RM'000	**2018 RM'000**
Defined benefit liabilities at beginning of the year	139,023	18,992
Included in profit or loss:		
Current service cost	3,285	4,226
Interest cost	2,911	3,620
Loss on settlement	9,577	-
	15,773	7,846
Included in other comprehensive income:		
Actuarial (gain)/loss arising from changes due to:		
- demographic assumption	(346)	-
- financial assumption changes	5,002	-
- experience adjustment	3,470	-
Others	(628)	-
	7,498	-
Other movements:		
Benefits paid by the plan	(45,443)	(7,776)
Acquisition of a subsidiary (Note 40 (a) (i))	-	119,961
Defined benefit obligations at end of the year	116,851	139,023

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

31. TRADE AND OTHER PAYABLES (CONTINUED)

(c) Provision for retirement benefits (continued)

The principal actuarial assumptions used in respect of the subsidiaries' defined benefit plan are as follows:

	Group	
	2019 RM'000 %	**2018 RM'000 %**
Discount rates	4.4	5.3 – 5.5
Salary inflation rates	5.0 – 6.0	5.0 – 6.0

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group	
	2019 RM'000	**2018 RM'000**
Impact on the aggregate service and interest costs:		
Discount rate:		
One percentage point increase	(5,423)	(12,100)
One percentage point decrease	6,069	13,946
Salary inflation:		
One percentage point increase	5,330	15,682
One percentage point decrease	(4,816)	(13,700)
Impact on the defined benefit obligation:		
Discount rate:		
One percentage point increase	(5,423)	(12,100)
One percentage point decrease	6,069	13,946
Salary inflation:		
One percentage point increase	5,330	15,682
One percentage point decrease	(4,816)	(13,700)

(d) Land lease received in advance

The maturity analysis for land lease received in advance is as follows:

	Group
	2019 RM'000
Within 1 year	6,853
Between 1 to 5 years	19,683
More than 5 years	50,598
	77,134

32. DEFERRED INCOME

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January	234,053	259,567
Deferred income received during the financial year	187	206
Grant recognised during the financial year	-	3,565
Recognised as income during the financial year (Note 7(i))	(29,755)	(29,285)
At 31 December	204,485	234,053

Analysed as:

	Group	
	2019 RM'000	**2018 RM'000**
Non-current	180,210	204,374
Current	24,275	29,679
	204,485	234,053

Deferred income is in relation to the grants/funds received by subsidiaries for development activities related to port and airport segments.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2019		**2018**	
	Assets RM'000	**Liabilities RM'000**	**Assets RM'000**	**Liabilities RM'000**
Current				
Derivative used for hedging:				
Forward foreign currency exchange	-	3,974	-	359

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2019 were RM308,289,000 (2018: RM30,218,000). The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2019 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

34. CONTRACT ASSETS AND LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract assets				
Port and logistics related services	9,279	10,736	-	-
Construction contracts	217,652	400,358	-	42,056
Others	6,623	-	-	-
	233,554	411,094	-	42,056
Contract liabilities - current				
Construction contracts	969,131	828,598	967,807	828,558
Others	8,529	-	-	-
	977,660	828,598	967,807	828,558

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract liabilities – non-current				
Land management service	111,150	-	-	-

Movement in contract assets and contract liabilities are mainly due to the timing difference in revenue recognition and the progress billings.

The following revenue is recognised during the year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue recognised that was included in the contract liability balance at th beginning of the year	828,598	675,499	828,558	663,947

The amount of unfulfilled performance obligation of the Group and the Company of RM3.20 billion (2018: RM4.38 billion) and RM2.75 billion (2018: RM3.83 billion) respectively will be recognised in the financial statements in the next one to four years.

35. SEGMENTAL INFORMATION

The Board of Directors is the Group's Chief Operating Decision-Maker ("CODM"). Management has determined the operating segments based on the directions provided by the Board of Directors for the purposes of allocating resources and assessing performance. The Heads of Departments are responsible for the development of corporate strategies.

The reportable segments of ports and logistics mainly derive their revenue and results from ports while energy and utilities derive their results mainly from electricity generation (Energy) and natural gas distribution (Gas); engineering segment derives their revenue and results from infrastructure and construction projects; airport segment derives their revenue and results from airport operations. Included in "Others" are mainly investment holding, and water treatment operations, which individually does not meet the quantitative thresholds required by MFRS 8.

Segmental information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Ports and logistics RM'000	Energy and utilities		Engineering RM'000	Airport RM'000	Others RM'000	Total RM'000
		Gas RM'000	Energy RM'000				
2019							
Revenue							
Total	3,204,408	-	-	1,603,729	80,406	27,183	4,915,726
Inter-segment	(22,599)	-	-	(181,331)	-	-	(203,930)
External	3,181,809	-	-	1,422,398	80,406	27,183	4,711,796
Results							
Profit/(loss) before zakat and taxation	448,542	58,803	101,154	289,361	(2,482)	(373,387)	521,991
Finance costs	386,819	-	-	773	24,741	265,660	677,993
Depreciation and amortisation	637,723	-	-	91,791	31,119	19,793	780,426
EBITDA*	1,473,084	58,803	101,154	381,925	53,378	(87,934)	1,980,410
Other information							
Segment assets	14,739,645	-	-	1,258,762	2,871,235	450,965	19,320,607
Joint ventures	1,258	-	-	331,779	-	-	333,037
Associates	6,573	895,648	3,295,073	-	-	185,181	4,382,475
Other investments	488,126	-	-	629,421	-	217,451	1,334,998
Deposits, cash and bank	956,281	-	-	54,718	53,891	9,756	1,074,646
Total assets							26,445,763
Segment liabilities	3,767,872	-	-	1,511,500	554,122	124,569	5,958,063
Borrowings	5,239,354	-	-	8,000	384,265	4,749,300	10,380,919
Total liabilities							16,338,982

* EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

NOTES TO THE **FINANCIAL STATEMENTS**

For the Financial Year Ended 31 December 2019 (Continued)

35. SEGMENTAL INFORMATION (CONTINUED)

	Ports and logistics RM'000	Energy and utilities		Engineering RM'000	Airport RM'000	Others RM'000	Total RM'000
		Gas RM'000	Energy RM'000				
2019 (Continued)							
Other disclosures							
Capital expenditure	653,258	-	-	38,015	4,183	4,992	700,448
Interest income	48,977	-	-	11,681	1,797	354	62,809
Depreciation:							
- property, plant and equipment	499,502	-	-	90,599	19,980	17,031	627,112
- rights-of-use assets	120,901	-	-	1,192	6,944	2,286	131,323
- investment properties	8,506	-	-	-	-	476	8,982
Amortisation of:							
- rights on airport business	-	-	-	-	4,195	-	4,195
- rights on port business	8,814	-	-	-	-	-	8,814
2018							
Revenue							
Total	3,017,703	-	-	2,227,913	69,492	26,140	5,341,248
Inter-segment	(21,219)	-	-	(335,883)	-	(376)	(357,478)
External	2,996,484	-	-	1,892,030	69,492	25,764	4,983,770
Results							
Profit/(loss) before zakat and taxation	413,299	60,226	86,266	291,978	(12,816)	(436,026)	402,927
Finance costs	220,573	-	-	792	27,185	296,513	545,063
Depreciation and amortisation	492,267	-	-	8,296	28,784	15,040	544,387
EBITDA*	1,126,139	60,226	86,266	301,066	43,153	(124,473)	1,492,377

* EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

35. SEGMENTAL INFORMATION (CONTINUED)

	Ports and logistics RM'000	Energy and utilities		Engineering RM'000	Airport RM'000	Others RM'000	Total RM'000
		Gas RM'000	Energy RM'000				
2018 (Continued)							
Other information							
Segment assets	13,537,963	-	-	1,951,704	2,979,746	477,523	18,946,936
Joint ventures	854	-	-	300,010	-	-	300,864
Associates	6,342	889,660	3,359,550	-	-	184,907	4,440,459
Other investments	310,884	-	-	44,185	165	205,792	561,026
Deposits, cash and bank	982,777	-	-	19,016	41,286	12,583	1,055,662
Total assets							25,304,947
Segment liabilities	2,154,982	-	-	1,534,460	534,701	104,613	4,328,756
Borrowings	5,224,132	-	-	3,000	377,209	5,078,983	10,683,324
Total liabilities							15,012,080
Other disclosures							
Capital expenditure	893,744	-	-	64,803	2,389	3,587	964,523
Interest income	32,196	-	-	4,085	1,329	1,602	39,212
Depreciation:							
- property, plant and equipment	471,954	-	-	8,296	24,588	14,693	519,531
- investment properties	8,620	-	-	-	-	347	8,967
Amortisation of:							
- rights on airport business	-	-	-	-	4,196	-	4,196
- rights on port business	8,189	-	-	-	-	-	8,189
- rights on concession assets	3,504	-	-	-	-	-	3,504

The Group's operations are principally based in Malaysia. The foreign-based entities' revenue, results, assets and liabilities in comparison to the Group's figures are not significant. Accordingly, no segmental information based on geographical segment is disclosed.

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

Customer	Segment	2019 RM'000	2018 RM'000
Customer A	Ports and logistics	759,604	753,213
Customer B	Engineering	1,157,208	1,383,346
Total		1,916,812	2,136,559

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

36. SIGNIFICANT CONTINGENT LIABILITIES

At 31 December 2019, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank guarantees issued to third parties for performance (secured/unsecured)	198,912	224,542	-	-

Bank guarantees issued to third parties mainly comprise customers and utilities suppliers. These are mainly in respect of performance bonds and payment guarantee for utilities facilities.

There are no other material contingent liabilities, litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company. The Directors are of the opinion that their outcome will not have a material adverse effect on the financial positions of the Group and the Company.

37. COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Capital commitments:				
Property, plant and equipment contracted but not provided for	593,692	484,015	-	-

(b) Non-cancellable operating lease commitments	Group 2018 RM'000
i) For the port area:	
Not later than 1 year	64,777
Later than 1 year and not later than 5 years	169,718
Later than 5 years	1,793,099
	2,027,594
(ii) For rental of office building and equipment:	
Not later than 1 year	5,958
Later than 1 year and not later than 5 years	5,088
	11,046
Total	2,038,640

38. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transactions and year end balances other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dr/(Cr)				
(a) The following transactions were carried out with related parties:				
Companies under common corporate shareholders:				
Net drawdown of borrowings	100,000	20,000	-	-
Net increase in deposits and other investments	9,951	63,698	5,765	136,386
Acquisition of interest in a subsidiary -	(220,000)	-	-	
Joint ventures:				
Management fees	9,890	12,131	9,890	12,131

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

38. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions and year end balances other than those disclosed elsewhere in the financial statements are as follows: (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(b) Financial year-end balances arising from:				
Companies under common corporate shareholders:				
Borrowings	325,000	225,000	-	-
Deposits and other investments	511,009	501,057	202,975	197,210

(c) Key management compensation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	2,191	2,179	1,272	1,265
Salaries and bonuses	22,788	22,548	14,810	15,228
Defined contribution plan - contributions	3,056	2,952	2,297	2,252
Other employee benefits	2,050	1,796	1,121	1,173
	30,085	29,475	19,500	19,918

Key management includes Directors (executive and non-executive) and head of departments of the Group and the Company.

39. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:

Subsidiaries

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2019 %	2018 %	
Aliran Ihsan Resources Berhad	Malaysia	100.0	100.0	Investment holding and of operation, maintenance and management of water treatment plants
Anglo-Oriental (Annuities) Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding
Anglo-Oriental (Malaya) Sdn. Berhad	Malaysia	100.0	100.0	Investment and property holding
MMC Engineering Group Berhad	Malaysia	100.0	100.0	Engineering, management services and investment holding
# MMC International Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
* MMC Land Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

39. COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities
MMC Pembetungan Langat Sdn. Bhd.	Malaysia	100.0	100.0	Design and construct sewage system
MMC Port Holdings Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	70.0	70.0	Constructing, operating, maintaining and managing Pelabuhan Tanjung Pelepas together with the provision of port facilities and other related services under the terms of license issued by the Johor Port Authority
Pernas Charter Management Sdn. Bhd.	Malaysia	100.0	100.0	Provision of management services to holding company and fellow subsidiaries
* Senai Airport Terminal Services Sdn. Bhd.	Malaysia	100.0	100.0	To manage, operate, maintain and develop the Senai International Airport
Timah Securities Berhad	Malaysia	100.0	100.0	Property investment
Subsidiary of Aliran Ihsan Resources Berhad				
Aliran Utara Sdn. Bhd.	Malaysia	100.0	100.0	Operation, maintenance and management of water treatment plant
Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.				
Labohan Dagang Galian Sendirian Berhad	Malaysia	100.0	100.0	Investment holding
MMC Marketing Sdn. Bhd.	Malaysia	100.0	100.0	Property investment
Subsidiary of Anglo-Oriental (Malaya) Sdn. Bhd.				
Tronoh Holdings (Selangor) Sendirian Berhad	Malaysia	100.0	100.0	Property investment
Subsidiaries of MMC Engineering Group Berhad				
MMC Engineering & Construction Sdn. Bhd.	Malaysia	100.0	100.0	Civil engineering construction works
MMC Engineering Sdn. Bhd.	Malaysia	100.0	100.0	Specialised engineering and construction works
MMC-GTM Bina Sama Sdn. Berhad	Malaysia	100.0	100.0	Property developer, civil engineering and construction works
MMC Technical Services Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding company and to provide professional services to the oil and gas and resources industries

39. COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities
Subsidiaries of MMC Port Holdings Sdn. Bhd.				
& Johor Port Berhad	Malaysia	100.0	100.0	Port and other port related activities, construction activities and any other related works
NCB Holdings Bhd.	Malaysia	99.1	99.1	Investment holding and provision of management services to its subsidiaries
Tanjung Bruas Port Sdn. Bhd.	Malaysia	70.0	70.0	Port operations
Penang Port Sdn. Bhd.	Malaysia	100.0	100.0	Operating, maintaining, managing and the provision of port facilities and other related services
Subsidiary of MMC Technical Services Sdn. Bhd.				
MMC Oil & Gas Engineering Sdn. Bhd.	Malaysia	100.0	100.0	Provision of professional engineering services to the oil and gas industry
Subsidiaries of MMC International Holdings Limited				
# City Island Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
* MMC Saudi Arabia Limited	Kingdom of Saudi Arabia	100.0	100.0	Investment holding
# MMC Saudi Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
# MMC Utilities Limited	British Virgin Islands	100.0	100.0	Investment holding and provision of project management services
# MMC Ports Limited	British Virgin Islands	100.0	100.0	Investment holding
Subsidiary of MMC Land Sdn. Bhd.				
* Northern Technocity Sdn. Bhd.	Malaysia	100.0	100.0	Property developer
Subsidiary of Pelabuhan Tanjung Pelepas Sdn. Bhd.				
^ Pelepas Terminal Inland Services Sdn. Bhd	Malaysia	49.0	49.0	To repair, prepare and trade of containers and to deal in all kinds and descriptions of containers and containerisation systems and other related services

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

39. COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Principal activities
Subsidiaries of Senai Airport Terminal Services Sdn. Bhd.				
* Senai Airport City Services Sdn. Bhd.	Malaysia	100.0	100.0	Provides management services for Senai Airport City development area and acting as Free Zone Authority manager
* Senai Airport City Sdn. Bhd.	Malaysia	100.0	100.0	Property owner and developer
Subsidiaries of Johor Port Berhad				
JP Logistics Sdn. Bhd.	Malaysia	100.0	100.0	Provision of warehouse and office space, rendering cargo and container handling, freight forwarding, internal and external haulage services, container repairs and maintenance and yard operations
* Seaport Worldwide Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding and property development
SPT Services Sdn. Bhd.	Malaysia	70.0	100.0	Operation, management and maintenance of a terminal and any business related thereto
Subsidiaries of NCB Holdings Bhd.				
Kontena Nasional Berhad	Malaysia	99.1	99.1	Haulage of containers, warehousing and provision of freight forwarding services
Kontena Nasional Global Logistics Sdn. Bhd.	Malaysia	99.1	99.1	Provision of freight forwarding services
Northport (Malaysia) Bhd.	Malaysia	99.1	99.1	Management of port activities which comprises services rendered to ships, cargo and container handling, rental of port premises and other ancillary services
Northport Distripark Sdn. Bhd.	Malaysia	99.1	99.1	Management of a distribution centre with warehousing, storage and other associated facilities to support trading activities through Port Klang
Subsidiaries of Penang Port Sdn. Bhd.				
Penang Port Human Capital Services Sdn. Bhd.	Malaysia	100.0	100.0	Provision of Human Resources and other support services to Prasarana Malaysia Berhad through its subsidiary, Rapid Ferry Sdn. Bhd.
Swettenham Pier Cruise Terminal Sdn. Bhd.	Malaysia	60.0	60.0	Development, operation, management and maintenance of the Swettenham Pier Cruise Terminal

39. COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries

Name of company	Country of incorporation	Group's effective interest 2019 %	2018 %
Bidor Malaya Tin Sdn. Bhd.	Malaysia	100.0	100.0
Kramat Tin Dredging Berhad	Malaysia	52.9	52.9
* MMC EG Co. Ltd	Mongolia	90.0	90.0
MMC Logistics Holdings Sdn. Bhd.	Malaysia	100.0	100.0
MMC Tepat Teknik Sdn. Bhd.	Malaysia	100.0	100.0
MMC Transport Engineering Sdn. Bhd.	Malaysia	100.0	100.0
MMC Utilities Berhad	Malaysia	100.0	100.0
Projek Lebuhraya Timur Sdn. Bhd.	Malaysia	100.0	100.0
Southern Kinta Consolidated (M) Berhad	Malaysia	100.0	100.0
Southern Malayan Tin Dredging (M) Berhad	Malaysia	100.0	100.0
Subsidiaries of Aliran Ihsan Resources Berhad			
Aliran Jebat Sdn. Bhd.	Malaysia	80.0	80.0
Aliran Utilities Sdn. Bhd.	Malaysia	100.0	100.0
Aliran Water Services Sdn. Bhd. (formerly known as Southern Water Engineering Sdn. Bhd.)	Malaysia	100.0	100.0
Southern Water Technology Sdn. Bhd. (under creditors' winding up)	Malaysia	-	-
SWESB MMCES JV Sdn. Bhd.	Malaysia	70.0	70.0
Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.			
Dana Vision Sdn. Bhd.	Malaysia	100.0	100.0
* MMC Exploration & Production (Thailand) Pte Ltd (under liquidation)	Thailand	-	-
Subsidiaries of Anglo-Oriental (Malaya) Sdn. Bhd.			
* Anglo-Oriental Malaya Trustees Sdn. Bhd. (under members' voluntary liquidation)	Malaysia	-	-
MMC Frigstad Offshore Sdn. Bhd.	Malaysia	100.0	100.0
Subsidiary of MMC Utilities Limited			
* MMC Overseas Pte. Limited (under members' voluntary liquidation)	Labuan, Malaysia	-	100.0

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

39. COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest	
		2019 %	2018 %
Subsidiaries of MMC Tepat Teknik Sdn. Bhd.			
MMC Tepat Teknik (Kejuruteraan) Sdn. Bhd.	Malaysia	100.0	100.0
MMC Tepat Teknik (Sarawak) Sdn. Bhd.	Malaysia	100.0	100.0
# Tepat Teknik (Labuan) Ltd.	Labuan,Malaysia	100.0	100.0
Subsidiaries of NCB Holdings Bhd.			
Klang Port Management Sdn. Bhd.	Malaysia	99.1	99.1
KN Global Transport Sdn. Bhd.	Malaysia	99.1	99.1
KN Loginfra Sdn. Bhd.	Malaysia	99.1	99.1
KN Maritime Services Sdn. Bhd.	Malaysia	99.1	99.1
Konnas Prolink Sendirian Berhad	Malaysia	99.1	99.1
Subsidiaries of Senai Airport Terminal Services Sdn. Bhd.			
* Aturan Jernih Sdn. Bhd. (under striking-off)	Malaysia	100.0	100.0
* Senai Airport Sdn. Bhd.	Malaysia	100.0	100.0
Subsidiary of MMC Oil & Gas Engineering Sdn. Bhd.			
* MMC Oil and Gas Engineering Consultancy LLC	Oman	51.0	51.0

39. COMPANIES IN THE GROUP (CONTINUED)

Associates

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %	Accounting date for inclusion of company results	Principal activities
++ Gas Malaysia Berhad	Malaysia	30.9	30.9	31.12.2019	Selling, marketing and promotion of natural gas to the industrial, commercial and residential sectors as well as construct and operate the Natural Gas Distribution System in Peninsular Malaysia
++ * Malakoff Corporation Berhad	Malaysia	37.6	37.6	31.12.2019	Investment holding
Associates of MMC International Holdings Limited					
* Jazan Economic City Land Company Limited	Kingdom of Saudi Arabia	24.0	24.0	31.12.2019	Development of Jazan Economic City in the Kingdom of Saudi Arabia
* Red Sea Ports Development Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2019	Operation and maintenance of container terminals
* Red Sea Gateway Terminal Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2019	Operation and maintenance of container terminals
Associate of NCB Holdings Bhd.					
* P.T. Ritra Konnas Freight Centre	Indonesia	33.0	33.0	31.12.2019	Container depot operations

Inactive associates

Name of company	Country of incorporation	Group's effective interest 2019 %	Group's effective interest 2018 %
* Konsortium Bernas MMC SPPM Sdn. Bhd.	Malaysia	10.0	10.0
Associate of MMC Marketing Sdn. Bhd			
* Ajil Minerals Sdn. Bhd.	Malaysia	49.0	49.0
Associate of MMC Tepat Teknik Sdn. Bhd.			
* OP Biomas Technologies Sdn. Bhd.	Malaysia	23.0	23.0

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

39. COMPANIES IN THE GROUP (CONTINUED)

Joint arrangements

Name of company	Country of incorporation	Proportion of ownership interest 2019 %	2018 %	Principal activities
Joint ventures				
* Projek Smart Holdings Sdn. Bhd	Malaysia	50.0	50.0	Investment holding
* Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd.	Malaysia	50.0	50.0	Design and construct the Stormwater Management and Road Tunnel project ("SMART"), comprising the stormwater channel and motorway works, operate, manage the toll operations and maintain the motorway
* MMC-Gamuda Joint Venture Sdn. Bhd.	Malaysia	50.0	50.0	Design, construction, testing, commissioning and maintenance of the Electrified Double Tracking Project between Ipoh and Padang Besar
* MMC Gamuda KVMRT (PDP) Sdn. Bhd	Malaysia	50.0	50.0	Undertake, construct, maintain, improve, develop, implement, control, execute and manage the Klang Valley Mass Rapid Transit Project – Sungai Buloh–Kajang Line in Malaysia
* MMC Gamuda KVMRT (T) Sdn. Bhd.	Malaysia	50.0	50.0	Design, construction, testing and commissioning of the Klang Valley Mass Rapid Project Underground Works (tunnels, stations and associated structures)
* MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd	Malaysia	50.0	50.0	Undertake, construct, maintain, improve, develop, implement, control, execute and manage the Klang Valley Mass Rapid Transit Project – Sungai Buloh–Serdang–Putrajaya Line in Malaysia
* Salcon MMCB AZSB JV Sdn. Bhd.	Malaysia	34.0	34.0	Process engineering, construction and operation for clean water and waste/ water treatment plants and pipe network and electrical and instrumentation work
* KTMB MMC Cargo Sdn. Bhd.	Malaysia	49.0	49.0	Rail freight transport and related businesses in the rail cargo sector
* UEM MMC Joint Venture Sdn. Bhd.	Malaysia	50.0	50.0	Investment holding

39. COMPANIES IN THE GROUP (CONTINUED)

Joint arrangements (Continued)

Name of company	Country of incorporation	Proportion of ownership interest 2019 %	2018 %	Principal activities
Joint ventures (Continued)				
Joint Ventures of MMC Engineering Sdn. Bhd.				
* Salcon MMCES AZSB JV Sdn. Bhd.	Malaysia	50.0	50.0	Process engineering, construction and operation for clean water and waste/water treatment plants and pipe network and related mechanical, electrical and instrumentation work
Joint Ventures of Johor Port Berhad				
Cranetech Global Sdn. Bhd.	Malaysia	50.0	50.0	Providing maintenance service for all types and makes of industrial crane, hoist, machine tools and port equipment
Joint operations				
* MMC-Gamuda Joint Venture (2T)	Malaysia	50.0	50.0	Construction, testing, commissioning and maintenance of the Infrastructure works comprising packages N1 to N6 including maintenance works for N7 and N8 of the Electrified Double Tracking Project ("EDTP") between Ipoh and Padang Besar
* MMC Gamuda KVMRT (UGW) Joint Venture	Malaysia	50.0	50.0	Execution of the tunnelling, underground works and such other related works for project Mass Rapid Transit Lembah Kelang
* MMCES CHEC Joint Venture	Malaysia	60.0	60.0	Process engineering and construction bridge crossing Sungai Pulai

The keys to the symbols used are as follows:

* Audited by firms other than PricewaterhouseCoopers PLT.
++ Quoted companies
\# No legal requirement to appoint auditors
^ De facto controlled subsidiaries
& On 31 December 2019, the Company had transferred 100% ordinary equity interest in Johor Port Berhad to MMC Port Holdings Sdn. Bhd. as part of its internal reorganisation plan.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

40. SIGNIFICANT EVENTS

(a) ACQUISITION OF SUBSIDIARIES

2018

(i) On 1 May 2018, MMC Port Holdings Sdn. Bhd. ("MMC Port"), a wholly-owned subsidiary of MMC completed the acquisition of the remaining 37,459,501 ordinary shares in Penang Port Sdn. Bhd. ("PPSB"), representing approximately 51.0% ordinary equity interest in PPSB for a cash consideration of RM220.0 million. Following the completion of the acquisition, PPSB has became a wholly-owned subsidiary of MMC Port.

As at 31 December 2018, the Purchase Price Allocation exercise in respect of the acquisition had been finalised. In the 8 months to 31 December 2018, PPSB contributed revenue of RM319,314,000 and profit of RM44,907,000. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue and profit would have been RM478,861,000 and RM62,569,000 respectively.

The following summarises the amounts of assets and liabilities recognised at the acquisition date:

	Book Value RM'000	Fair Value RM'000
Property, plant and equipment	1,365,882	1,426,447
Deposits, cash and bank	196,547	196,547
Deferred tax assets	87,280	72,685
Other tangible assets	59,911	59,911
Intangible assets	13,698	44,492
Borrowings	(1,000,000)	(1,000,000)
Provision for retirement benefits	(119,961)	(119,961)
Other liabilities	(116,798)	(147,346)
Total identifiable net assets on acquisition date	486,559	532,775

Cash consideration paid during the financial year	198,000
Deposit paid in prior financial year	22,000
Total cash consideration paid	220,000
Less: Share of 51% fair value of identifiable net assets	(271,715)
Negative goodwill	(51,715)

40. SIGNIFICANT EVENTS (CONTINUED)

(a) ACQUISITION OF SUBSIDIARIES (CONTINUED)

2018 (Continued)

(i) The following summarises the amounts of assets and liabilities recognised at the acquisition date: (continued)

	RM'000
Net cash outflow from acquisition of subsidiary:	
Cash consideration paid during the financial year	198,000
Less: Cash and cash equivalent of subsidiary acquired	(196,547)
Net cash outflow to the Group on acquisition	1,453

(ii) On 6 September 2018, Penang Port Sdn. Bhd. ("PPSB"), a wholly-owned subsidiary of MMC Port Holdings Sdn. Bhd. ("MMC Port"), which in turn is a wholly-owned subsidiary of MMC, had acquired 6 ordinary shares in Swettenham Pier Cruise Terminal Sdn Bhd ("SPCTSB"), representing 60.0% equity interest in SPCTSB for a cash consideration of RM6. Following the completion of the acquisition, SPCTSB had became a subsidiary of PPSB. The acquisition had no significant impact to the Group.

41. FINANCIAL INSTRUMENTS

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments; and
- Valuation based on market comparable approaches by qualified professional valuers.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no financial instrument included in Level 3.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a) Financial assets and liabilities measured at amortised cost;
b) Fair value through profit or loss (FVTPL); and
c) Fair value through other comprehensive income (FVOCI).

Group **2019**	**Carrying amount RM'000**	**Amortised cost RM'000**	**FVTPL RM'000**	**FVOCI RM'000**
Financial assets				
Trade and other receivables	1,658,501	1,658,501	-	-
Investment securities	32,583	-	-	32,583
Other investments	1,334,998	-	1,334,998	-
Cash and bank balances	1,074,646	1,074,646	-	-
	4,100,728	2,733,147	1,334,998	32,583
Financial liabilities				
Borrowings	10,380,919	10,380,919	-	-
Lease liabilities	2,262,632	2,262,632	-	-
Trade and other payables	1,604,891	1,604,891	-	-
Redeemable preference shares	16,674	16,674	-	-
Derivative financial liabilities	3,974	-	3,974	-
	14,269,090	14,265,116	3,974	-
2018				
Financial assets				
Trade and other receivables	2,307,549	2,307,549	-	-
Investment securities	11,664	-	-	11,664
Other investments	561,026	-	561,026	-
Cash and bank balances	1,055,662	1,055,662	-	-
	3,935,901	3,363,211	561,026	11,664
Financial liabilities				
Borrowings	10,683,324	10,683,324	-	-
Trade and other payables	1,927,800	1,927,800	-	-
Redeemable preference shares	33,349	33,349	-	-
Derivative financial liabilities	359	-	359	-
	12,644,832	12,644,473	359	-

41. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

Company **2019**	**Carrying amount RM'000**	**Amortised cost RM'000**	**FVTPL RM'000**	**FVOCI RM'000**
Financial assets				
Trade and other receivables	795,607	795,607	-	-
Investment securities	28,184	-	-	28,184
Other investments	729,767	-	729,767	-
Cash and bank balances	48,997	48,997	-	-
	1,602,555	844,604	729,767	28,184
Financial liabilities				
Borrowings	3,191,713	3,191,713	-	-
Lease liabilities	12,817	12,817	-	-
Trade and other payables	262,532	262,532	-	-
Amounts due to subsidiaries	106,389	106,389	-	-
	3,573,451	3,573,451	-	-
2018				
Financial assets				
Trade and other receivables	1,241,204	1,241,204	-	-
Investment securities	8,289	-	-	8,289
Other investments	197,464	-	197,464	-
Cash and bank balances	10,351	10,351	-	-
	1,457,308	1,251,555	197,464	8,289
Financial liabilities				
Borrowings	3,604,454	3,604,454	-	-
Trade and other payables	282,198	282,198	-	-
Amounts due to subsidiaries	69,613	69,613	-	-
	3,956,265	3,956,265	-	-

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

Except as disclosed below, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate their fair values due to the relatively short term nature and frequent repricing of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2019

	Fair value of financial instruments carried at fair value in the financial statements				Fair value of financial instruments not carried at fair value in the financial statements				Total fair value	Carrying amount
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**
Financial assets										
Investment securities	32,583	-	-	32,583	-	-	-	-	32,583	32,583
Trade and other receivables (non-current)	-	-	-	-	-	115,654	-	115,654	115,654	115,654
Other investments	1,334,998	-	-	1,334,998	-	-	-	-	1,334,998	1,334,998
	1,367,581	-	-	1,367,581	-	115,654	-	115,654	1,483,235	1,483,235
Financial liabilities										
Derivative financial liabilities:										
Forward foreign exchange	-	(3,974)	-	(3,974)	-	-	-	-	(3,974)	(3,974)
Borrowings	-	-	-	-	-	(10,321,985)	-	(10,321,985)	(10,321,985)	(10,380,919)
Trade and other payables (non-current)	-	-	-	-	-	(56,935)	-	(56,935)	(56,935)	(56,935)
Lease liabilities	-	-	-	-	-	(2,262,632)	-	(2,262,632)	(2,262,632)	(2,262,632)
	-	(3,974)	-	(3,974)	-	(12,641,552)	-	(12,641,552)	(12,645,526)	(12,704,460)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2018

	Fair value of financial instruments carried at fair value in the financial statements				Fair value of financial instruments not carried at fair value in the financial statements				Total fair value	Carrying amount
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**
Financial assets										
Investment securities	11,664	-	-	11,664	-	-	-	-	11,664	11,664
Trade and other receivables (non-current)	-	-	-	-	-	130,504	-	130,504	130,504	130,504
Other investments	561,026	-	-	561,026	-	-	-	-	561,026	561,026
	572,690	-	-	572,690	-	130,504	-	130,504	703,194	703,194
Financial liabilities										
Derivative financial liabilities:										
Forward foreign exchange	-	(359)	-	(359)	-	-	-	-	(359)	(359)
Redeemable preference shares	-	-	-	-	-	(33,349)	-	(33,349)	(33,349)	(33,349)
Borrowings	-	-	-	-	-	(10,635,990)	-	(10,635,990)	(10,635,990)	(10,683,324)
Trade and other payables (non-current)	-	-	-	-	-	(49,920)	-	(49,920)	(49,920)	(49,920)
	-	(359)	-	(359)	-	(10,719,259)	-	(10,719,259)	(10,719,618)	(10,766,952)

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

41. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2019

	Fair value of financial instruments carried at fair value in the financial statements				Fair value of financial instruments not carried at fair value in the financial statements				Total fair value	Carrying amount
Company	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Financial assets										
Investment securities	28,184	-	-	28,184	-	-	-	-	28,184	28,184
Other investments	729,767	-	-	729,767	-	-	-	-	729,767	729,767
	757,951	-	-	757,951	-	-	-	-	757,951	757,951
Financial liabilities										
Borrowings	-	-	-	-	-	(3,200,398)	-	(3,200,398)	(3,200,398)	(3,191,713)
Trade and other payables (non-current)	-	-	-	-	-	(56,935)	-	(56,935)	(56,935)	(56,935)
Lease liabilities	-	-	-	-	-	(12,817)	-	(12,817)	(12,817)	(12,817)
	-	-	-	-	-	(3,270,150)	-	(3,270,150)	(3,270,150)	(3,261,465)

2018

	Fair value of financial instruments carried at fair value in the financial statements				Fair value of financial instruments not carried at fair value in the financial statements				Total fair value	Carrying amount
Company	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Financial assets										
Investment securities	8,289	-	-	8,289	-	-	-	-	8,289	8,289
Other investments	197,464	-	-	197,464	-	-	-	-	197,464	197,464
	205,753	-	-	205,753	-	-	-	-	205,753	205,753
Financial liabilities										
Borrowings	-	-	-	-	-	(3,598,982)	-	(3,598,982)	(3,598,982)	(3,604,454)
Trade and other payables (non-current)	-	-	-	-	-	(42,200)	-	(42,200)	(42,200)	(42,200)
	-	-	-	-	-	(3,641,182)	-	(3,641,182)	(3,641,182)	(3,646,654)

42. EFFECTS OF ADOPTION OF MFRS 16

The Group adopted MFRS 16 "Leases" (MFRS 16) for the first time in the 2019 financial statements with the date of initial application ("DIA") of 1 January 2019.

During the financial year, the Group changed its accounting policies on leases upon adoption of MFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

The Group as a lessee

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases, such as leasehold properties capitalised under property, plant and equipment and investment properties, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

The Group as a lessor

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of MFRS 16 except for when the Group is an intermediate lessor. When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption, then it classifies the sublease as an operating lease.

NOTES TO THE **FINANCIAL STATEMENTS**
For the Financial Year Ended 31 December 2019 (Continued)

42. EFFECTS OF ADOPTION OF MFRS 16 (CONTINUED)

Adjustments as at 1 January 2019

The cumulative adjustments resulting from the initial application of MFRS 16 are as disclosed below:

	Debit/(Credit) RM'000
Group	
Increase in rights-of-use assets	1,996,545
Decrease in property, plant and equipment	(603,759)
Increase in investment properties	37,203
Increase in deferred tax assets	96,557
Increase in receivables	25,521
Decrease in retained earnings	301,882
Increase in non-controlling interests	(13,172)
Increase in lease liabilities	(2,237,236)
Decrease in payables	217,460
Decrease in land lease received in advance	178,999
Company	
Increase in rights-of-use assets	1,209
Decrease in property, plant and equipment	(1,209)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

Group	**RM'000**
Operating lease commitments disclosed as at 31 December 2018	2,038,640
Discounted using the incremental borrowing rate ranges from 4.22% to 6.65% at 1 January 2019	(1,045,917)
Add: Lease liabilities recognised as at 1 January 2019 upon adoption of MFRS 16	1,213,506
Less:	
- Short-term leases recognised on a straight-line basis as expense	(87)
- Low-value leases recognised on a straight-line basis as expense	(374)
Add: Adjustments as a result of a different treatment of extension and termination options	31,468
Lease liabilities recognised as at 1 January 2019	2,237,236

Analysed as follows:	
Current	138,121
Non-current	2,099,115
	2,237,236

43. EVENT AFTER REPORTING DATE

The Covid-19 outbreak has developed rapidly in March 2020, with a significant number of infections. Measures taken by the Government of Malaysia to contain the virus have affected economic activity and we expect our operations to be affected as the virus continues to proliferate. The Group and Company have taken a number of measures to monitor and prevent the effects of the Covid-19 virus such as safety and health measures for our people (like social distancing and working from home) and securing the supply of materials that are essential to the Group and Company's operations. We will continue to monitor the situation closely and it is possible that we will implement further measures. In light of the uncertainty as to the severity and duration of the outbreak, the impact on our financial results is uncertain at this time.

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
PTD No. 2423, Tanjung Kupang, District of Johor Bahru, Johor	Leasehold	349.04	Port terminal, office buildings, commercial & industrial land	2055		20	1995
PTD Nos. 2424-2426, PTD Nos. 2427-2455, PTD Nos. 2458-2504, PTD Nos.2514, 2516, 2517, 2520, 2521, Tanjung Kupang, District of Johor Bahru, Johor	Leasehold	724.80	Commercial & industrial land	2055	2,216,103	-	1995
PTD No. 1586, Serkat, District of Pontian, Johor	Leasehold	114.92	Land for port terminal & buildings	2055		-	1995
PTD No. 2519, Tanjung Kupang, District of Johor Bahru, Johor	Leasehold	0.22	Commercial & Industrial land	2055		-	1995
PTD 3161, Tanjung Kupang, District of Johor Bahru, Johor	Leasehold	2.79	Building	2107		-	2008
H.S. (D) 23569, PTD 8797, Mukim of Senai, District of Kulaijaya, Johor	Leasehold	488.53	Senai International Airport	2053	792,814	16	2003
PTD No. 1357, 2050, PTD Nos. 1836-1838, PTD Nos. 2149-2151, PTD Nos. 2053-2054, Lot 8252, H.S.(D) 68263, Serkat/Sg. Karang, District of Pontian, Johor	Leasehold	912.78	Industrial/ vacant	2103	455,248	13	2005
Plentong, District of Johor Bahru, Johor	Leasehold	112.1	Break bulk and dry bulk cargo berths 7-11	2052	58,999	22	1997
Plentong, District of Johor Bahru, Johor	Leasehold	13.44	Container Terminal berths 1 - 3	2052	48,903	27	1992
Plentong, District of Johor Bahru, Johor	Leasehold	-	Dangerous cargo jetty 4	2052	21,938	20	1999

LIST OF **PROPERTIES**

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Plentong, District of Johor Bahru, Johor	Leasehold	-	Dangerous cargo jetty	2052	9,628	27	1992
PLO 702, Zone 12C, Pasir Gudang Industrial Area, Johor	Leasehold	26.97	Industrial/ Vacant	2073	27,453	5	2014
PLO 796, Zone 12C, Pasir Gudang Industrial Area, Johor	Leasehold	6.2	Industrial/ Vacant	2073	12,437	5	2014
PLO 26 Tanjung Langsat Industrial Complex	Leasehold	12.14	Industrial/ Vacant	2045	44,919	3	2016
Lot 190 GM 422, PTD Nos. 105141-105147, PTD Nos. 105180-105183, PTD Nos. 105194-105249, PTD No. 105258, PTD Nos. 105264-105267, PTD Nos. 105286-105288, PTD Nos. 105300-105366, PTD Nos. 105371-105579, PTD No. 108012 (Hershey's) PTD Nos. 109446-109458, Mukim of Senai, District of Kulaijaya, Johor	Freehold	458.602	Land held for development of Senai Airport City	))))))))))))))	1,357,238	-	2008
PTD No. 175304, PTD Nos. 175317-175318, PTD Nos. 175328, 175330, PTD Nos. 175349 -175352, PTD Nos. 195468, 195469, 195470, 195471, Mukim of Tebrau, District of Johor Bahru, Johor	Freehold	373.112	Land held for development of Senai Airport City	)))))))))		-	2008
Lot 2896, H.S.(D) 211709, Lot 3094, H.S.(D) 211710, Lot 3095, H.S.(D) 211711, Lot 3097, H.S.(D) 211712, Lot 3101, H.S.(D) 211713, Serkat, District of Pontian, Johor	Freehold	96.17	Industrial/ vacant	-	254,949	-	2015
Berth 1 to 7A, Southpoint, Port Klang	Leasehold	17.99	Berthing facilities for ship	2034	3,400	31 - 49	1992

LIST OF **PROPERTIES**

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Berth 8A, North Port, Port Klang	Leasehold	9.75	Berthing facilities for ship	2043	225,650	6	2014
Berth 8, 9 and 10, North Port, Port Klang	Leasehold	18.5	Berthing facilities for ship	2043	123,058	46	1986
Berth 11 and Back-up Area, North Port, Port Klang	Leasehold	13.9	Berthing facilities for ships and storage of containers	2043	2,643	50	1992
Berth 12 and 13, North Port, Port Klang	Leasehold	9.6	Berthing facilities for ships	2043	13,296	18	1992
Berth 14-25, North Port, Port Klang	Leasehold	66.31	Berthing facilities for ships	2043	40,062	36-55	1992
Container Terminal, North Port, Port Klang	Leasehold	49.2	Storage of containers, warehouses and office buildings	2043	107,798	46	1986
Container Terminal, North Port, Port Klang	Leasehold	N/A	Infrastructure and warehouses	2043	13,755	45	1986
Dockyard, Southpoint, Port Klang	Leasehold	3.28	Docking facilities	2034	N/A	N/A	1992
Port and Terminal Area	Leasehold	N/A	Infrastructure, power stations and warehouses	2043	42,019	19-25	1992
Warehouse D1 to D4 Jalan Parang North Port, Port Klang	Leasehold	2.6	Warehouses for cargo storage	2031	13,094	20-25	1995
HS(D) 24617 PT 11690 & HS(D) 31134 PT 13728 Jalan Parang North Port, Port Klang	Leasehold	13.7	Storage, open yard and undeveloped land	2031	7,941	20-25	1995
Kawasan Perindustrian Selat Klang Utara, 42000 Port Klang Selangor Darul Ehsan	Leasehold	40,431 sq.m.	Warehouse, office and container yard	2086	36,200	38	1978

LIST OF **PROPERTIES**

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
P.T. 1644 Lebuh Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang Selangor Darul Ehsan	Leasehold	129,692 sq.m.	Warehouse, office and container yard	2079	58,188	21	1983
Batu 9 Jalan Klang Lama 47300 Petaling Jaya Selangor Darul Ehsan	Leasehold	74,936 sq.m.	Warehouse, office and container yard	2103	141,548	30	1979
2443 Lorong Perusahaan Satu, Kawasan Perindustrian Prai 13600 Prai Pulau Pinang	Leasehold	81,692 sq.m.	Warehouse and office	2041 - 2053	21,230	22 - 34	1981
Lot 126 Kawasan Perindustrian Gebeng, 26080 Kuantan Pahang Darul Makmur	Leasehold	175,791 sq.m.	Warehouse, office and container yard	2063	25,145	21	1993
PLO 282, Jalan Suasa Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim	Leasehold	57,986 sq.m.	Container Yard	2046	13,482	N/A	1982
PLO 249 Jalan Tembaga Satu, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang Johor Darul Takzim	Leasehold	140,866 sq.m.	Office and container yard Tenanted	2045	21,420	12	1997
Geran 43498 Lot No 37465 HS(D) 13093 PT 223 Mukim Kapar Klang Selangor Darul Ehsan	Freehold	178,580 sq.m.	Vacant land	N/A	94,197	N/A	2008
Geran 199919 Lot No 70008 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	25.66	Vacant land	N/A	41,370	N/A	2016
Geran 202073 Lot No 70029 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	6.77	Vacant land	N/A	10,915	N/A	2016

LIST OF **PROPERTIES**

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Geran 202074 Lot No 70030 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	6.288	Vacant land	N/A	10,138	N/A	2016
Geran 202075 Lot No 70552 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	9.73	Vacant land	N/A	15,687	N/A	2016
HS(D) 67877 PT 10847 Bandar Kulim Daerah Kulim Kedah	Freehold	6.2864	Vacant land	N/A	10,135	N/A	2016
HS(D) 67879 PT 10849 Bandar Kulim Daerah Kulim Kedah	Freehold	6.9501	Vacant land	N/A	11,205	N/A	2016
HS(D) 67880 PT 10850 Bandar Kulim Daerah Kulim Kedah	Freehold	3.2059	Vacant land	N/A	5,169	N/A	2016
HS(D) 67881 PT 10851 Bandar Kulim Daerah Kulim Kedah	Freehold	3.7927	Vacant land	N/A	6,115	N/A	2016
HS(D) 67873 PT 10840 Bandar Kulim Daerah Kulim Kedah	Freehold	47.9063	Vacant land	N/A	77,236	N/A	2016
HS(D) 67862 PT 10843 Bandar Kulim Daerah Kulim Kedah	Freehold	3.0	Vacant land	N/A	4,837	N/A	2016
HS(D) 67863 PT 10844 Bandar Kulim Daerah Kulim Kedah	Freehold	23.8781	Vacant land	N/A	38,497	N/A	2016
HSD 31785, PT 54, HSD 36634, PT 1535, HSD 36636, PT 1536, PN 10919, LOT 5303, HSD 42208,PT 3191, MUKIM 01, SPT, PG	Leasehold	37.7	Commercial & industrial land	2041	1,089,243	N/A	1994

LIST OF **PROPERTIES**

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
HSD 28145, PT 4, HSD 28522, PT 1, G 161024, LOT 10057, PN 10916, LOT 6047, HSD 56678, PT 3354, BDR. PRAI, SPT, PG	Leasehold	28.25	Commercial, industrial & vacant land	2041		N/A	1994
HSD 7942, PT 370 G 48976, LOT 2234 HSD 9813, PLOT A HSD 10871, PT 321 HSD 10872, PT 322 HSD 29524, PT 703 HSD 29525, PT 685 HSD 29526, PT 702 HSD 29528, PT 687 HSD 29563, PT 704 PN 9796, LOT 9805 G 64415, LOT 344 SEKSYEN 4, BDR. BTW, SPU, PG	Leasehold	122.30	Commercial, industrial & vacant land / building	2041		24	1994

SHAREHOLDINGS STATISTICS

As at 30 April 2020

The total number of issued shares of the Company stands at 3,045,058,552 Ordinary Shares, with voting right of one (1) vote per Ordinary Share.

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
Name of Shareholders	**Direct**	**%**	**Indirect**	**%**
Seaport Terminal (Johore) Sdn Bhd	1,576,108,840	51.76	-	-
Amanahraya Trustees Berhad - Amanah Saham Bumiputera	580,387,600	19.06	-	-
Indra Cita Sdn Bhd	-	-	*1,576,108,840	51.76
Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor	-	-	@1,576,108,840	51.76
Sharifah Sofia binti Syed Mokhtar Shah	-	-	&1,576,108,840	51.76

Notes:

* deemed interested through Seaport Terminal (Johore) Sdn Bhd

@ deemed interested through Indra Cita Sdn Bhd

& Sharifah Sofia is the daughter of YBhg. Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor, the ultimate Major Shareholder of MMC Corporation Berhad through his 99.99% shareholding in Indra Cita Sdn Bhd, the holding company of Seaport Terminal (Johore) Sdn Bhd.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	673	5.24	8,968	0.00
100 - 1,000	1,758	13.69	1,152,585	0.04
1,001 - 10,000	6,825	53.15	34,350,733	1.13
10,001 – 100,000	3,008	23.43	95,255,326	3.13
100,001 to less than 5% of issued shares	574	4.47	757,794,500	24.88
5% and above of issued shares	2	0.02	2,156,496,440	70.82
TOTAL	**12,840**	**100.00**	**3,045,058,552**	**100.00**

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	No. of Shares			
Name of Directors	**Direct**	**%**	**Indirect**	**%**
Dato' Sri Che Khalib bin Mohamad Noh	600,000	0.02	-	-
Dato' Abdul Hamid bin Sh Mohamed	500,000	0.02	-	-

THIRTY LARGEST

SHAREHOLDERS

As at 30 April 2020

No	Name	No. of shares held	% of issued capital
1.	Seaport Terminal (Johore) Sdn Bhd	1,576,108,840	51.76
2.	Amanahraya Trustees Berhad - Amanah Saham Bumiputera	580,387,600	19.06
3.	Lam Kong Tang	66,865,800	2.20
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	62,883,800	2.07
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	48,706,581	1.60
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Maybank 1)	33,142,814	1.09
7.	Amanahraya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan	26,149,500	0.86
8.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Franklin 1)	22,268,543	0.73
9.	U Geik Kim	22,134,200	0.73
10.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Eastspring) (410140)	20,387,100	0.67
11.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	20,256,900	0.67
12.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Nomura 1)	17,600,000	0.58
13.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Principal 1)	16,642,986	0.55
14.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Affin 1)	13,817,186	0.45
15.	Public Invest Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lam Kong Tang (M)	13,000,000	0.43
16.	Amanahraya Trustees Berhad - Amanah Saham Malaysia	12,033,400	0.40
17.	Kumpulan Wang Persaraan (Diperbadankan)	9,655,600	0.32
18.	Permodalan Nasional Berhad	9,655,600	0.32
19.	Amanahraya Trustees Berhad - Amanah Saham Bumiputera 3 - Didik	9,591,700	0.31
20.	RHB Nominees (Tempatan) Sdn Bhd - Pledge Securities Account for Ashfak Ahmad bin Alarakha	6,300,000	0.21

THIRTY LARGEST **SHAREHOLDERS**

As at 30 April 2020 (Continued)

No	Name	No. of shares held	% of issued capital
21.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Focus	5,731,500	0.19
22.	Seow Hoon Hin	5,361,700	0.18
23.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Ai Chu	5,276,700	0.17
24.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	4,957,500	0.16
25.	Maybank Nominees (Tempatan) Sdn Bhd - Medical Fund (IFM Eastspring) (410141)	4,926,700	0.16
26.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheng Mooi Soong	4,727,100	0.16
27.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (RHB Inv)	4,492,200	0.15
28.	Amanah Raya Berhad - Kumpulan Wang Bersama Syariah	4,300,000	0.14
29.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Bank Berhad (EDP 2)	4,299,400	0.14
30.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (MIDF ABSR EQ)	4,045,400	0.13
	Total:	**2,635,706,350**	**86.59**

GLOSSARY

INDUSTRY TERMS	DEFINITION
ASEAN	The Association of Southeast Asian Nations
Break Bulk	Loose general cargo or non-containerised cargo stowed directly into the ship's hold. E.g. boxes, crates, drums or barrels
Chemical Oxygen Demand (COD)	The indirect measurement of the amount of pollution that cannot be oxidised biologically, in a sample of water
Compounded Average Growth Rate (CAGR)	The rate of return required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan
Department of Environment Malaysia (DOE)	A Government department established under the Ministry of Technology, Environment and Climate Change, tasked to manage environmental issues
Dry Bulk	Raw materials shipped in large, unpackaged parcels. E.g. coal, iron ore or grain
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	Profit Before Taxation and non-controlling interests with the addition of amounts previously deducted for depreciation, amortisation and financing costs
Earnings Per Share (EPS)	The company's net income divided by the total number of outstanding shares
Electrified Rubber-Tyred Gantry (E-RTG)	An electric-powered mobile gantry crane, as opposed to a conventional RTG used in intermodal operations to ground or stack containers
Empty Container (MT)	A container that has been unloaded
Energy Monitoring System (EMS)	A device or method to monitor energy consumption efficiency
Environment Management Plan (EMP)	A plan for formulation, implementation and monitoring of environment, which is explicit, illustrative, action-oriented, time-bound and definitive
Environmental Impact Assessment (EIA)	The assessment of the environmental consequences (positive and negative) of a plan, policy, programme, or actual project prior to the decision to move forward with the proposed action
Erosion and Sedimentation Control Plan (ESCP)	A plan that details temporary measures to be implemented during the construction phase and may include post-development permanent measures to control the environmental impacts of erosion and sedimentation
Foreign Exchange (FOREX)	The market in which currencies are traded
Freight Weight Tonnes (FWT)	Unit of volume of weight used for measuring freight in shipping
FTSE4Good Index Series	The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices
Gas Cost Pass Through (GCPT)	A local natural gas tariff
Gross Domestic Product (GDP)	The monetary value of all the finished goods and services produced within a country's geographic borders over a specific time period
Gross Profit	Profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services
Health Safety Environment (HSE)	A discipline, branch or department within a company that is responsible for the implementation, observance and protection of occupational health and safety rules and regulations as well as environmental protection
High Pressure Sodium Vapor (HPSV)	A specific type of gas-discharge light (also known as a High Intensity Discharge, HID or arc light)
Hybrid Rubber-Tyred Gantry (RTG)	Similar to Rubber-Tyred Gantry but with smaller engines, where the regenerative energy is stored as recaptured electricity and re-used for power optimisation. Hybrid RTG uses either a rechargeable battery or capacitor for energy storage

GLOSSARY

INDUSTRY TERMS	DEFINITION
Incentive Based Regulation (IBR)	Implemented by the Energy Commission in 2014 as part of the reform of the Malaysian Electricity Supply Industry (MESI). Among others, IBR was introduced to enable transparency in regulating energy providers in Malaysia, as well as to promote efficiency for the industry
International Organisation for Standardisation (ISO)	An independent, non-governmental international organisation that develops international standards for various aspects (e.g. quality, safety, environment, food safety etc.) and almost every industry
Light-Emitting Diode (LED)	A semiconductor light source that emits light when the current flows through it
Loss Time Injury (LTI)	A work-related incident that results in a fatality or permanent or temporary or partial disability or time (days) lost from work
Million British Thermal Units (MMBtu)	A standard unit of measurement used to assess energy content in fuel and the ability of appliances and air conditioning system to produce heating or cooling. It is also used as a standard unit of measurement for natural gas as well as power and steam generation
National Water Quality Standard (NWQS)	A set of standards derived based on beneficial uses of water
Occupational Safety and Health (OSH)	A multidisciplinary field concerned with the safety, health, and welfare of people at work
Population Equivalent (PE)	Population equivalent refers to the amount of oxygen-demanding substances (measured in BOD or BOD5) in wastewaters whose oxygen consumption during biodegradation equals the average oxygen demand of the wastewater produced by one person for one day
Power Purchase Agreement (PPA)	A legal contract between an electricity generator (provider) and a power purchaser (buyer, typically a utility or large power buyer/trader)
Pre-tax Profit	Profit Before Tax, a measure that looks at a company's profits before the company has to pay corporate income tax. It deducts all expenses from revenue including interest expenses and operating expenses except for income tax
Prime Mover	A tractor unit or, a heavy-duty towing engine that provides motive power for hauling a towed or trailered load
Profit Before Zakat and Tax (PBZT)	A measure that looks at a company's profits before the company has to pay corporate income tax and zakat in Malaysia
Quay Crane	A wharf crane capable of moving on rail tracks along the platform beside the sea for loading/unloading cargo from/into vessels. It is also known as ship-to-shore cranes
Rail Mounted Gantry (RMG)	A fully electrified crane. The RMG crane is typically wider and higher than the RTG crane and is mounted on rail. Main power supply via cable reel similar to a quay crane
Reduce, Reuse and Recycle (3R)	An approach to manage wastes produced, as an alternative to directly disposing in landfills
Renewable Energy (RE)	Energy derived from natural resources that are naturally replenished
Revenue	Income that a business has from its normal business activities
Roll-on Roll-off (RoRo)	A vessel designed to carry wheeled cargo that are driven on and off the ship on its own wheels or using a platform vehicle, such as a self-propelled modular transporter
Rubber-Tyred Gantry (RTG)	A conventional mobile gantry crane with rubber tyres powered by diesel generator system (gensets), used in intermodal operations to ground or stack containers
Small and Medium sized Enterprise (SME)	A company that employs fewer than a given number of employees with a specified range of turnover
System Average Interruptions Index (SAIDI)	The average electricity interruption in minutes experienced by customers in a year

GLOSSARY

INDUSTRY TERMS	DEFINITION
The Average Noise Level (LAeq)	A weighted equivalent continuous sound level in decibels measured over a stated period of time. It is used to describe sound levels that vary over time, resulting in a single decibel value, which takes into account the total sound energy over the period of time of interest
The Malaysian Society for Occupational Safety and Health (MSOSH)	An independent non-profit, non-government and non-political organisation that is dedicated to promoting occupational health awareness, programmes and practices in Malaysia
Total Suspended Particulates (TSP)	The indicator used to represent suspended particles in the ambient air
Total Suspended Solids (TSS)	Total quantity measurement of solid material per volume of water
Triple-E Vessel	A very large container ship with a capacity of more than 18,000 TEUs
Tunnel Boring Machine (TBM)	A machine used to excavate tunnels with a circular cross section through a variety of soil and rock strata
Twenty Foot Equivalent Unit (TEUs)	Unit of the cargo capacity of a container ship, a container terminal and the statistics of the container transit in a port
Variable Frequency (VF) RTG	Similar to Rubber Tyred-Gantry, but the engine automatically optimises the speed according to the required power
Variable Refrigerant Volume (VRV)	VRV in a system for heating, ventilating and air conditioning, which has the flexibility to vary the flow of refrigerant to multiple internal evaporators, such as fan coil units, based on demand. This energy-saving system is cost effective and enables the air conditioning unit to operate economically

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fourth Annual General Meeting (44th AGM) of MMC Corporation Berhad (MMC or the Company) will be held via remote participation and electronic voting (collectively referred hereinafter as Virtual AGM) on Monday, 22 June 2020 at 10.00 a.m. The Broadcast Venue for the Virtual AGM will be at the Training Room, Ground Floor, MMC Corporation Berhad, Wisma Budiman, Persiaran Raja Chulan, 50200 Kuala Lumpur, Malaysia. The Virtual AGM will be conducted for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2019 and the Directors' Report and Auditors' Report thereon. **Please refer to Note A**
2. To approve the payment of Directors' fees up to an amount of RM1,370,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 23 June 2020 until the conclusion of the next Annual General Meeting (AGM). **Resolution 1**
3. To approve the benefits payable to the Directors of the Company up to an amount of RM2,120,000.00 for the period from 23 June 2020 until the conclusion of the next AGM. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Article 18.3 of the Company's Constitution and who being eligible, offer themselves for re-election:
   a) Datuk Ooi Teik Huat **Resolution 3**
   b) Dato' Abdul Hamid bin Sh Mohamed **Resolution 4**
   c) Dato' Ir. Jamaludin bin Osman **Resolution 5**
5. To re-appoint Messrs. PricewaterhouseCoopers PLT (PwC), having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration. **Resolution 6**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions:

6. Retention of Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017

   "That subject to the passing of Ordinary Resolution 3, the authority be and is hereby given to Datuk Ooi Teik Huat, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company". **Resolution 7**

7. Retention of Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017

   "That subject to the passing of Ordinary Resolution 4, the authority be and is hereby given to Dato' Abdul Hamid bin Sh Mohamed, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company". **Resolution 8**

8. Proposed Transfer of 509,494,049 Ordinary Shares representing approximately 70.0% Ordinary Equity Interest in Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) by MMC to MMC Port Holdings Sdn Bhd (MMC Port), a Wholly-Owned Subsidiary of MMC via a Share Swap (Proposed Transfer of PTP)

   "That subject to all other approvals being obtained from the relevant parties and regulatory authorities (if required), approval be and is hereby given for MMC to transfer 509,494,049 ordinary shares representing approximately 70.0% ordinary equity interest in PTP to MMC Port, a wholly-owned subsidiary of MMC via a share swap;

   And that the Directors be and are hereby empowered and authorised to take all such steps and sign, execute and deliver on behalf of the Company all necessary documents and instruments and do all acts and things as may be required to give full effect to the Proposed Transfer of PTP with full and discretionary power to assent to any conditions, modifications, variations and/or amendments in any manner as they may consider to be in the best interest of the Company or that may be required by any relevant authorities, and to deal with all matters relating thereto and to enter into all such agreements, arrangements, undertakings, indemnities, transfers and assignments with any party or parties and to take all such steps to execute all such documents and instruments and to do all acts and things in any manner as the Directors may deem necessary and expedient to implement, finalise, give full effect to and complete the Proposed Transfer of PTP". **Resolution 9**

Please refer to Note B

NOTICE OF **ANNUAL GENERAL MEETING**

9. To transact any other business of which due notice shall been given in accordance with Companies Act 2016 and the Company's Constitution.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to participate in the 44th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 15 June 2020. Only a depositor whose name appears on the Record of Depositors as at 15 June 2020 shall be entitled to participate in the said meeting or appoint proxies to participate and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Ahmad Aznan Mohd Nawawi
Sazlin Ayesha Abdul Samat
Company Secretaries

Kuala Lumpur
19 May 2020

Notes:

1. As part of the Company's initiative to curb the spread of the Coronavirus Disease 2019 (Covid-19), the 44th AGM will be held on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. Kindly refer to the procedures provided in the Administrative Details on registration, participation and voting at the 44th AGM.

2. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and in accordance with Article 16.3 of the Company's Constitution which allow a general meeting to be held at more than one (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. No SHAREHOLDERS from the public should be physically present at the Broadcast Venue at the day of the Meeting.

3. Kindly refer to the Administrative Details on the appointment and registration of proxy for the Virtual AGM.

4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of 44th AGM will be put to the vote by poll.

5. Only members registered in the Record of Depositors as at 15 June 2020 shall be entitled to participate in the 44th AGM.

NOTICE OF **ANNUAL GENERAL MEETING**

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

Note A

This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this matter will not be put forward for voting.

Directors' Remuneration

Section 230(1) of the Companies Act 2016 stipulates among others, that the fees and benefits payable to the Directors of listed companies and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders' approval shall be sought at the Company's 44th AGM on the Directors' remuneration in two (2) separate resolutions as follows:

a) Resolution 1 on payment of Directors' fees to the NEDs for the period from 23 June 2020 until the conclusion of the next AGM; and

b) Resolution 2 on benefits payable to the Directors for the period from 23 June 2020 until the conclusion of the next AGM.

The remuneration policy for the NEDs of the Company is as depicted below:

Description	NEDs		
	Group Chairman	Chairman	Members
Board Fees (per month)	RM50,000	-	RM8,000
Fixed Allowance (per month)			
• Audit Committee	-	RM4,000	RM2,000
• Nomination and Remuneration Committee	-	-	RM1,000
• Finance, Investment and Risk Committee	-	RM1,000	RM1,000
Meeting Allowance (per meeting)			
• Board	RM2,500	-	RM2,500
• Audit Committee	-	RM2,500	RM2,500
• Nomination and Remuneration Committee	RM2,000	-	RM2,000
• Finance, Investment and Risk Committee	-	RM2,000	RM2,000
Benefits (per annum)			
• Annual Leave Passage	RM30,000	-	RM30,000
• Token of Appreciation	RM5,000	-	RM5,000

The proposed Resolutions 1 and 2, if passed, will give authority to the Company to pay the Directors' fees and benefits on a monthly basis and/or as and when incurred based on the present fees and benefits structure, since the NEDs have discharged their responsibilities and rendered their services to MMC Group throughout the period.

Resolution 1 - Payment of Directors' fees to the NEDs for the period from 23 June 2020 until the conclusion of the next AGM

The total amount of Directors' fees payable to the NEDs is estimated to be up to RM1,370,000.00 for the period from 23 June 2020 until the conclusion of the next AGM.

At the Forty-Third AGM (43rd AGM) of the Company held on 9 May 2019, the Directors' fees of up to RM1,400,000.00 for the period from 10 May 2019 until the conclusion of the 44th AGM were approved by the shareholders. The utilisation of this approved amount as at 31 December 2019 is RM848,000.00. An amount of RM530,000.00 is expected to be utilised for the period of 1 January 2020 to 22 June 2020. The total utilised amount would be approximately 98.43% of the approved amount.

NOTICE OF **ANNUAL GENERAL MEETING**

Resolution 2 - Approval on benefits payable to the Directors for the period from 23 June 2020 until the conclusion of the next AGM

The benefits payable to the Directors consists of meeting allowances, Committees' fixed allowance and benefits in kind. The total amount of benefits payable to the Directors is estimated to be up to RM2,120,000.00 for the period from 23 June 2020 until the conclusion of the next AGM, taking into account various factors, among others, the number of scheduled and special meetings for the Board and Board Committees, Board of Subsidiaries, the number of Directors involved in these meetings, etc.

At the 43rd AGM of the Company held on 9 May 2019, the benefits payable to the Directors of up to RM2,200,000.00 for the period from 10 May 2019 until the conclusion of the 44th AGM were approved by the shareholders. The utilisation of this approved amount as at 31 December 2019 is RM1,224,067.70. An amount of RM667,903.30 is expected to be utilised for the period of 1 January 2020 to 22 June 2020. The total utilised amount would be approximately 86.0% of the approved amount.

Resolutions 3, 4 and 5 – Proposed Re-election of Directors

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 44th AGM of the Company.

In determining the eligibility of the Directors to stand for re-election at the 44th AGM, the Board and the Nomination and Remuneration Committee have considered the performance and contribution of each Director based on the Board of Directors' Annual Assessment Exercise.

Based on the assessment conducted for the Financial Year 2019, all the affected Directors met the performance criteria required for an effective and high performance Board. As such, the Board recommended for the affected Directors to be re-elected on the Board of the Company.

Resolution 6 – Re-appointment of Auditors

The Board and the Audit Committee have assessed the performance of PwC and are satisfied with the quality of service rendered and the competency and sufficiency of resources provided to the Company. The Board at its meeting held on 2 April 2020 agreed to recommend to the shareholders of the Company to approve the re-appointment of PwC as the Company's external auditors for the financial year 2020.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

Resolutions 7 and 8 – Retention of Independent Director

Malaysian Code on Corporate Governance 2017 recommends that shareholders' approval be sought in the event that the Company intends to retain an Independent Non-Executive Director who has served in that capacity for more than nine (9) years.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of Datuk Ooi Teik Huat and Dato' Abdul Hamid bin Sh Mohamed who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years.

The Board recommends that Datuk Ooi Teik Huat and Dato' Abdul Hamid bin Sh Mohamed continue to act as Independent Non-Executive Directors of the Company for the following reasons:

a) They fulfill the criteria as Independent Non-Executive Director as defined in the Listing Requirements, and therefore are able to bring independent and objective judgment to the Board;

b) Their immense experience in their respective fields/background enable them to provide the Board with a diverse set of experience, expertise, skills and competence;

c) They understand the Company's business operations which allow them to participate actively and contribute during deliberations or discussions at the Committee and Board meetings;

d) They devote sufficient time and effort and attend all the Board and Committee meetings, for informed and balanced decision making; and

e) They exercise due care as Independent Non-Executive Director of the Company and carry out their professional and fiduciary duties in the interest of the Company and shareholders.

The Shareholders' approval for Resolutions 7 and 8 will be sought on a single-tier voting basis.

NOTICE OF **ANNUAL GENERAL MEETING**

Note B

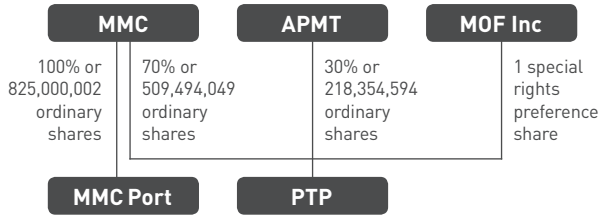
1. Details of the Proposed Transfer of PTP

MMC is currently undertaking a proposed group-wide internal restructuring whereby the new group structure will create a holding company for each core business in MMC and its subsidiaries (collectively, MMC Group). The said proposed group-wide internal restructuring involves, among others, the Proposed Transfer of PTP.

In this respect, MMC has established MMC Port to be the holding company of all port operating companies within the MMC Group.

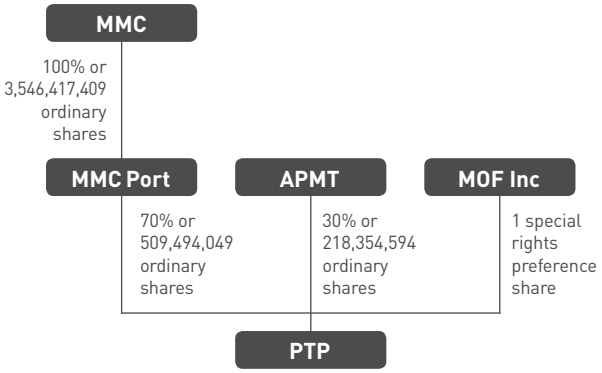
For illustration purposes, the shareholding structure of PTP before and after the Proposed Transfer of PTP is as follows:

Before the Proposed Transfer of PTP:



- APMT : APM Terminals B.V.
- MOF Inc : Minister of Finance (Incorporated)

After the Proposed Transfer of PTP:



As a result of the Proposed Transfer of PTP, PTP will become a 70%-owned subsidiary of MMC Port, which in turn is a wholly-owned subsidiary of MMC. As such, following the completion of the Proposed Transfer of PTP, MMC will continue to hold PTP via MMC Port.

For information, as part of the proposed group-wide internal restructuring, MMC had on 31 December 2019, completed the transfer of its 100% ordinary equity interest in Johor Port Berhad to MMC Port.

2. Basis and Justification of the Transfer Consideration and Mode of Settlement

The transfer consideration of RM2,721,417,407.00 was arrived at on a willing buyer willing seller basis after taking into consideration, amongst others, the cost of investment by MMC in PTP.

The transfer consideration will be satisfied via the issuance of ordinary shares in MMC Port in accordance with the share sale and purchase agreement to be entered into between MMC and MMC Port.

3. Rationale for the Proposed Transfer of PTP

The rationale for the Proposed Transfer of PTP, amongst others, are as follows:

(a) as part of MMC's long term strategy to consolidate and streamline the port operating companies under a common holding company, i.e. MMC Port;

(b) to increase the management focus in growth of the port operation and business;

(c) to provide synergistic value from the business, operations, efficiency and economies of scales by optimising the existing available resources within MMC Group and MMC Port Group; and

(d) to enhance the value of MMC Port arising from the streamlining of the relevant businesses resulting in a clearer and specific operational and management activities.

NOTICE OF **ANNUAL GENERAL MEETING**

4. Financial Effects

   The Proposed Transfer of PTP is expected not to have any material effect on the earnings, net assets and gearing of MMC Group for the financial year ending 31 December 2020.

   Additionally, the Proposed Transfer of PTP is also not expected to result in any change in the existing financial arrangements in MMC, MMC Port and PTP.

5. Approvals Required in Relation to the Proposed Transfer of PTP

   The Proposed Transfer of PTP is subject to the approval of the shareholders of MMC pursuant to Sections 223(1) and 223(2) of the Companies Act 2016, whereby the approval of the shareholders is required for transactions that are of "substantial value" based on the percentage ratio stipulated in Paragraph 10.07 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

6. Board's Recommendation

   The Board of Directors of MMC (Board), after having considered all aspects of the Proposed Transfer of PTP, is of the view that the Proposed Transfer of PTP is in the best interest of the Company.

   Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Transfer of PTP to be tabled at the 44th AGM.

STATEMENT ACCOMPANYING

NOTICE OF THE 44TH AGM

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors who are retiring by rotation in accordance with Article 18.3 of the Company's Constitution and seeking re-election:

a) Datuk Ooi Teik Huat;

b) Dato' Abdul Hamid bin Sh Mohamed; and

c) Dato' Ir. Jamaludin bin Osman.

The profiles of the abovenamed Directors are stated in the Directors' Profile on page 13 and 15 of this Annual Report.
Save for Dato' Abdul Hamid bin Sh Mohamed, none of the abovenamed Directors has any interest in the Securities of the Company or its subsidiaries.

Proxy Form

ANNUAL GENERAL MEETING

No. of Ordinary Share(s) held	
CDS Account No.	

MMC Corporation Berhad
(Company No. 197601004261 (30245-H))

I/We, _____

(FULL NAME OF SHAREHOLDERS AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

_____ of _____

(NRIC NO. / PASSPORT NO. / COMPANY NO.) (FULL ADDRESS)

_____

being a member/members of MMC CORPORATION BERHAD hereby appoint:

	Name/NRIC No.	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 44th AGM of the Company to be held via remote participation and electronic voting (Virtual AGM) at the Broadcast Venue at Training Room, Ground Floor, MMC Corporation Berhad, Wisma Budiman, Persiaran Raja Chulan, 50200 Kuala Lumpur, Malaysia on Monday, 22 June 2020 at 10.00 a.m., and/or at any adjournments thereof, on the following resolutions referred to in the notice of the 44th AGM:

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote)

NO.	AGENDA			
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2019 and the Directors' Report and Auditors' Report thereon.			
ORDINARY BUSINESS		**RESOLUTION**	**FOR**	**AGAINST**
2.	Payment of Directors' fees up to an amount of RM1,370,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 23 June 2020 until the conclusion of the next AGM.	Ordinary Resolution 1		
3.	Benefits payable to the Directors of the Company up to an amount of RM2,120,000.00, for the period from 23 June 2020 until the conclusion of the next AGM.	Ordinary Resolution 2		
Re-election of the following Directors who retire in accordance with Article 18.3 of the Company's Constitution				
4.	Datuk Ooi Teik Huat	Ordinary Resolution 3		
5.	Dato' Abdul Hamid bin Sh Mohamed	Ordinary Resolution 4		
6.	Dato' Ir. Jamaludin bin Osman	Ordinary Resolution 5		
7.	Re-appointment of Messrs. PricewaterhouseCoopers PLT (PwC) as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 6		
SPECIAL BUSINESS		**RESOLUTION**	**FOR**	**AGAINST**
8.	Retention of Datuk Ooi Teik Huat as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company.	Ordinary Resolution 7		
9.	Retention of Dato' Abdul Hamid bin Sh Mohamed as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company.	Ordinary Resolution 8		
10.	Proposed Transfer of 509,494,049 Ordinary Shares representing approximately 70.0% Ordinary Equity Interest in Pelabuhan Tanjung Pelepas Sdn Bhd by MMC to MMC Port Holdings Sdn Bhd via a Share Swap.	Ordinary Resolution 9		

* Strike out whichever inapplicable.
** If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank space(s) provided.

Dated this _____ day of _____, 2020

_____
Signature(s) of Shareholder(s) or Common Seal

Notes:
1. As no shareholders should be physically present at the Broadcast Venue, the shareholders are encouraged to participate and vote at the 44th AGM using remote participation and electronic voting facilities as outlined in the Administrative Details.
2. A member of the Company entitled to participate and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to participate and vote instead of him/her. A member of the Company may appoint up to two (2) proxies to participate in the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
3. In the case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company, and a member may appoint any person to be his/her proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. Where a member is an exempt authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the meeting or any adjournment thereof.
6. Alternatively, you may deposit your proxy form by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal not less than 24 hours before the time appointed for the meeting or any adjournment thereof. Kindly follow the link at https://www.boardroomlimited.my/ to login and deposit your proxy form electronically.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of 44th AGM will be put to the vote by poll.
8. For the purpose of determining a member who shall be entitled to participate in the 44th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 15 June 2020. Only a depositor whose name appears on the Record of Depositors as at 15 June 2020 shall be entitled to participate and vote at the 44th AGM vide remotely or appoint proxies to participate and/or vote on his/her behalf.

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Affix Stamp Here

To: **THE REGISTRAR**
Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

fold here along dotted line

MMC CORPORATION BERHAD
197601004261 (30245-H)

Ground Floor, Wisma Budiman, Persiaran Raja Chulan
50200 Kuala Lumpur, Malaysia

+603 2071 1000 +603 2026 1921

www.mmc.com.my