# FINANCIAL STATEMENTS

# Directors' Report

For the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

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

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit/(Loss) for the year attributable to: | | |
| Owners of the Company | 309,951 | (336,838) |
| Non-controlling interests | 66,987 | – |
| | 376,938 | (336,838) |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

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

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

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

# Directors' Report
For the year ended 31 December 2017 (continued)

## DIRECTORS OF THE COMPANY

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

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

## DIRECTORS OF THE SUBSIDIARIES

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

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

# Directors' Report

For the year ended 31 December 2017 (continued)

## DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **At 1.1.2017** | **Bought** | **Sold** | **At 31.12.2017** |
| **Direct interests in the Company:** | | | | |
| Dato' Sri Che Khalib bin Mohamad Noh | 420,000 | – | – | 420,000 |
| Datuk Ooi Teik Huat | 420,000 | – | – | 420,000 |
| Datuk Idris bin Abdullah @ Das Murthy | 290,000 | 102,100 | – | 392,100 |
| Datuk Dr. Syed Muhamad bin Syed Abdul Kadir | 150,000 | – | – | 150,000 |

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

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

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

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a company in which the Director has a substantial financial interest.

# Directors' Report

For the year ended 31 December 2017 (continued)

## DIRECTORS' BENEFITS (CONTINUED)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## ISSUE OF SHARES

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

There were no other changes in the issued and paid-up capital of the Company during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## INDEMNITY AND INSURANCE COSTS

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

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

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or in the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

# Directors' Report

For the year ended 31 December 2017 (continued)

## OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SIGNIFICANT EVENT

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

## AUDITORS

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

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

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

……………………………………………………..........

**Datuk Haji Hasni bin Harun**
Chairman

……………………………………………………..........

**Dato' Sri Che Khalib bin Mohamad Noh**
Director

Kuala Lumpur

Date: 8 March 2018

# Statements of Financial Position

As at 31 December 2017

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

# Statements of Financial Position

As at 31 December 2017 (continued)

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

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

# Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

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

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

# Statements of Changes in Equity

For the year ended 31 December 2017

| Group | Share capital Ordinary RM'000 | Share capital Preference RM'000 | Share premium Ordinary RM'000 | Share premium Preference RM'000 | Reserves Capital redemption RM'000 | Reserves Translation RM'000 | Reserves Hedging RM'000 | Retained profits RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2016** | 500,000 | – | 5,192,215 | – | 840 | 17,105 | 19,678 | 35,276 | 5,765,114 | 215,004 | 5,980,118 |
| Remeasurement of defined benefit liability | – | – | – | – | – | – | – | (3,404) | (3,404) | – | (3,404) |
| Foreign currency translation differences for foreign operations | – | – | – | – | – | 3,371 | – | – | 3,371 | – | 3,371 |
| Cash flow hedge | – | – | – | – | – | – | 15,631 | – | 15,631 | – | 15,631 |
| Share of gain on hedging reserves attributable to associates | – | – | – | – | – | – | 54,537 | – | 54,537 | – | 54,537 |
| Other comprehensive income/ (expense) for the year | – | – | – | – | – | 3,371 | 70,168 | (3,404) | 70,135 | – | 70,135 |
| Profit for the year | – | – | – | – | – | – | – | 355,463 | 355,463 | 50,579 | 406,042 |
| **Comprehensive income for the year** | – | – | – | – | – | 3,371 | 70,168 | 352,059 | 425,598 | 50,579 | 476,177 |
| Dividends to owners of the Company | – | – | – | – | – | – | – | (275,000) | (275,000) | – | (275,000) |
| Dividends to non-controlling interests | – | – | – | – | – | – | – | – | – | (50,000) | (50,000) |
| **Total distribution to owners** | – | – | – | – | – | – | – | (275,000) | (275,000) | (50,000) | (325,000) |
| **As at 31 December 2016** | 500,000 | – | 5,192,215 | – | 840 | 20,476 | 89,846 | 112,335 | 5,915,712 | 215,583 | 6,131,295 |

# Statements of Changes in Equity

For the year ended 31 December 2017 (continued)

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

# Statements of Changes in Equity

For the year ended 31 December 2017 (continued)

| | | | | Reserves | | |
|---|---|---|---|---|---|---|
| **Company** | **Share capital RM'000** | **Share premium RM'000** | **Treasury shares RM'000** | **Capital redemption RM'000** | **Retained profits RM'000** | **Total RM'000** |
| **As at 1 January 2016** | 500,000 | 5,192,215 | – | 840 | 3,949,293 | 9,642,348 |
| Remeasurement of defined benefit liability | – | – | – | – | (5,210) | (5,210) |
| Other comprehensive expense for the year | – | – | – | – | (5,210) | (5,210) |
| Profit for the year | – | – | – | – | 248,458 | 248,458 |
| **Comprehensive income for the year** | – | – | – | – | 243,248 | 243,248 |
| Dividends to the owners of the Company | – | – | – | – | (275,000) | (275,000) |
| **As at 31 December 2016/1 January 2017** | 500,000 | 5,192,215 | – | 840 | 3,917,541 | 9,610,596 |
| Remeasurement of defined benefit liability | – | – | – | – | (6,014) | (6,014) |
| Other comprehensive expense for the year | – | – | – | – | (6,014) | (6,014) |
| Loss for the year | – | – | – | – | (336,838) | (336,838) |
| **Comprehensive expense for the year** | – | – | – | – | (342,852) | (342,852) |
| Dividends to the owners of the Company | – | – | – | – | (300,000) | (300,000) |
| Purchase of treasury shares | – | – | (1,641) | – | – | (1,641) |
| Transition to no-par value regime | 5,193,055 | (5,192,215) | – | (840) | – | – |
| **As at 31 December 2017** | 5,693,055 | – | (1,641) | – | 3,274,689 | 8,966,103 |

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

# Statements of Cash Flows

For the year ended 31 December 2017

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

# Statements of Cash Flows

For the year ended 31 December 2017 (continued)

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

## (i) CASH AND CASH EQUIVALENTS

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

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

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

# Notes to the Consolidated Financial Statements

Malakoff Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

**Principal place of business and registered office**
Level 12, Block 4
Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and a joint venture.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 8 March 2018.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

The followings are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First–time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014–2016 Cycle)*
- Amendments to MFRS 2, *Share–based Payment – Classification and Measurement of Share–based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

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

- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014–2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

***MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015–2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long–term Interests in Associates and Joint Ventures*

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

- MFRS 17, *Insurance Contracts*

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

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

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

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

# Notes to the Consolidated Financial Statements (continued)

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

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

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### (i) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

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

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

### (b) Basis of measurement

The financial statements have been prepared on historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# Notes to the Consolidated Financial Statements (continued)

## 1. BASIS OF PREPARATION (CONTINUED)

### (d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

#### *(i) Residual value of power plant and machinery*

*a) Gas fired power plant*

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

The Group's subsidiaries use recoverable values of the power plant and machinery based on the valuations derived by the valuer using the assumptions as disclosed in Note 3.2. Estimating the residual values of power plant and machinery involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual residual values of the power plant and machinery however, may be different from expected.

*b) Coal fired power plant*

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

Estimating the residual values of the power plant and machinery involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual residual values of the power plant and machinery however, may be different from expected. The Group's subsidiaries considered and adopted the recoverable values of the power plant and machinery based on the discounted cash flows derived using the assumptions as shown in Note 3.2.

#### *(ii) Provision for retirement benefits*

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision is as disclosed in Note 19.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

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

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

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

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

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

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

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

# Notes to the Consolidated Financial Statements (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (ii) Business combinations (continued)

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

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

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

#### (iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (iv) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long–term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

#### (v) Joint arrangements

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

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

#### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity–accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non–monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Foreign currency (continued)

#### (i) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available–for–sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2009 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non–wholly–owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non–controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non–controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

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

The Group and the Company categorise financial instruments as follows:

***Financial assets***

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

***(b) Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

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

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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

#### (iii) Financial guarantee contracts

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (v) Hedge accounting

***Cash flow hedge***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non–financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial instruments (continued)

#### (vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Freehold land and assets under construction are measured at cost less any accumulated impairment losses. Other items of property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The costs of self–constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day–to–day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight–line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. All spare parts which are expected to be used for more than one period is classified under C–inspection costs within property, plant and equipment. Spare parts will be depreciated from the date that they are used.

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

| | |
|---|---|
| • Buildings | 5 – 20 years |
| • C-inspection costs | 3 – 6 years |
| • Plant and machinery | 5 – 31 years |
| • Office equipment and furniture | 5 years |
| • Motor vehicles | 5 years |
| • Computers | 3 years |

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

### (e) Leased assets

#### (i) Finance lease

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Leased assets (continued)

#### (ii) Operating lease

##### *(a) Group as lessee*

**Leasehold land**

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

Payments made under operating leases are recognised in profit or loss on a straight–line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

##### *(b) Group as lessor*

**Power Purchase Agreements**

The Group adopted IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, which prescribed that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset and whether the arrangement conveys a right to use such assets. An arrangement that contains a lease is accounted for as a finance lease or an operating lease. Payment for services and the cost of inputs of the arrangement are excluded from the calculation of the minimum lease payments.

The operating lease income is recognised over the term of the lease on a straight–line basis.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity–accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

#### (ii) Other intangible assets

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

#### (iii) Subsequent expenditure

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

# Notes to the Consolidated Financial Statements (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Intangible assets (continued)

#### (iv) Amortisation

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

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

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

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

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

### (g) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

# Notes to the Consolidated Financial Statements (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment

#### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, investment in associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash–generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash–generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash–generating unit or a group of cash–generating units that are expected to benefit from the synergies of the combination.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment (continued)

#### (ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash–generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash–generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment loss for goodwill is non-reversible. As for other assets, impairment loss recognised in prior periods is assessed at the end of each reporting period for any indication that the loss has decreased or no longer exist. Impairment loss may only be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. Impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment loss is credited to profit or loss in the financial year in which the reversal is recognised.

### (j) Equity instruments

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

#### (i) Ordinary shares

Ordinary shares are classified as equity.

#### (ii) Perpetual sukuk

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

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

### (k) Employee benefits

#### (i) Short–term employee benefits

Short–term employee benefits obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short–term cash bonus or profit–sharing plans if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Employee benefits (continued)

#### (ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (iii) Defined benefit plans

The Group's and the Company's net obligations in respect of defined benefit plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed at regular interval by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group and the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group and the Company determine the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and the Company recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (l) Contingencies

#### (i) Contingent liabilities

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

#### (ii) Contingent assets

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Revenue and other income

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

Revenue is measured at the fair value of consideration received or receivable and is recognised in profit or loss as it accrues.

#### (ii) Capacity payment

Revenue is recognised on a straight–line basis where the PPA is considered to be or to contain an operating lease.

#### (iii) Electricity revenue

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

#### (iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

#### (v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (vi) Lease income

Lease income is recognised in profit or loss by using effective interest method over the term of the lease.

### (n) Deferred income

Deferred income comprises the difference between capacity payments received from Tenaga Nasional Berhad and capacity payments recognised in profit or loss in relation to the PPAs. The amount is recognised in profit or loss on a straight–line basis over the term of the respective PPAs.

# Notes to the Consolidated Financial Statements (continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for temporary differences in the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Provisions

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

Provision for decommissioning cost which arises principally in connection with the power plant is measured based on the valuation judgement by an independent professional valuer whereby the present value is calculated using amounts discounted over the existing PPAs. The liability is recognised (together with a corresponding amount as part of the power plant) once an obligation crystallises in the period when a reasonable estimate can be made. Subsequently, the Group accretes the discount to profit or loss using the effective interest rate method.

The provision is based on the valuation reports by an independent professional valuer. The present value is derived by discounting the decommissioning cost over the remaining useful lives of the power plant based on a discount rate of 7.5% (2016: 7.5%).

### (r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### (s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Fair value measurement

Fair value of an asset or a liability, except for share–based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non–financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Asset under construction RM'000 | Power plants RM'000 | C– Inspection costs RM'000 | Plant and machinery RM'000 | Office equipment and furniture RM'000 | Motor vehicles RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | | | | |
| **At 1 January 2016** | 115,516 | 13,182 | 36,087 | 5,975,361 | 13,066,391 | 1,453,271 | 133,590 | 130,667 | 11,851 | 87,029 | 21,022,945 |
| Additions | – | – | 594 | 77,880* | 81,017 | 282,776 | 2,386 | 16,326 | 3,196 | 4,815 | 468,990 |
| Disposals | – | – | – | – | – | – | – | – | (553) | – | (553) |
| Write-off | – | – | – | – | (30,942) | – | – | – | – | – | (30,942) |
| Reclassifications | – | – | – | (5,982,418) | 5,984,376 | – | (1,959) | (2) | – | 3 | – |
| **At 31 December 2016/ 1 January 2017** | 115,516 | 13,182 | 36,681 | 70,823 | 19,100,842 | 1,736,047 | 134,017 | 146,991 | 14,494 | 91,847 | 21,460,440 |
| Additions | – | – | – | 104,460* | 43,463 | 145,065 | 1,524 | 6,621 | 686 | 2,690 | 304,509 |
| Disposals | – | – | – | – | – | – | (323) | – | (475) | (186) | (984) |
| Write-off | – | – | – | – | (7,783) | – | – | – | – | – | (7,783) |
| Reclassifications | – | – | – | (21,809) | 26,132 | 3,057 | – | (7,380) | – | – | – |
| **At 31 December 2017** | 115,516 | 13,182 | 36,681 | 153,474 | 19,162,654 | 1,884,169 | 135,218 | 146,232 | 14,705 | 94,351 | 21,756,182 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Asset under construction RM'000 | Power plants RM'000 | C– Inspection costs RM'000 | Plant and machinery RM'000 | Office equipment and furniture RM'000 | Motor vehicles RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Accumulated depreciation*** | | | | | | | | | | | |
| **At 1 January 2016** | – | 2,630 | 26,267 | – | 4,881,413 | 816,381 | 51,496 | 96,810 | 8,969 | 79,340 | 5,963,306 |
| Depreciation for the year | – | 135 | 1,497 | – | 624,574 | 237,440 | 18,586 | 11,611 | 1,475 | 5,515 | 900,833 |
| Disposals | – | – | – | – | – | – | – | – | (240) | – | (240) |
| Write-off | – | – | – | – | (7,928) | – | – | – | – | – | (7,928) |
| Reclassifications | – | – | – | – | – | – | – | 324 | (305) | (19) | – |
| **At 31 December 2016/ 1 January 2017** | – | 2,765 | 27,764 | – | 5,498,059 | 1,053,821 | 70,082 | 108,745 | 9,899 | 84,836 | 6,855,971 |
| Depreciation for the year | – | 134 | 1,398 | – | 675,222 | 222,724 | 9,118 | 12,733 | 1,640 | 4,255 | 927,224 |
| Disposals | – | – | – | – | – | – | (323) | – | (475) | (186) | (984) |
| Write-off | – | – | – | – | (2,332) | – | – | – | – | – | (2,332) |
| Reclassifications | – | – | – | – | 16,077 | – | (16,077) | – | – | – | – |
| **At 31 December 2017** | – | 2,899 | 29,162 | – | 6,187,026 | 1,276,545 | 62,800 | 121,478 | 11,064 | 88,905 | 7,779,879 |
| ***Carrying amounts*** | | | | | | | | | | | |
| At 1 January 2016 | 115,516 | 10,552 | 9,820 | 5,975,361 | 8,184,978 | 636,890 | 82,094 | 33,857 | 2,882 | 7,689 | 15,059,639 |
| At 31 December 2016/ 1 January 2017 | 115,516 | 10,417 | 8,917 | 70,823 | 13,602,783 | 682,226 | 63,935 | 38,246 | 4,595 | 7,011 | 14,604,469 |
| At 31 December 2017 | 115,516 | 10,283 | 7,519 | 153,474 | 12,975,628 | 607,624 | 72,418 | 24,754 | 3,641 | 5,446 | 13,976,303 |

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

# Notes to the Consolidated Financial Statements (continued)

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.1 Securities

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

### 3.2 Residual values

Estimating the useful life and residual value of the power plant and machinery involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual residual values of the power plant and machinery however, may be different from expected.

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

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

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

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

The valuation by an independent professional valuer was derived using the following critical assumptions:

1) All plant and equipment will be removed only at the end of the power supply agreement;

2) The recoverable steel within the power house and tank farm will be sold in the local market; and

3) All metals of value will be recovered.

A 5% increase/(decrease) in the residual value would have resulted in a (decrease)/increase in depreciation charge of RM3,323,000 per annum.

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 3.2 Residual values (continued)

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

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

1) The PPAs will be extended for ten (10) years at the end of the initial concession period, in view of:
   i) the expected useful life of coal fired power plant;
   ii) increase in demand for power; and
   iii) Tenaga Nasional Berhad's continued reliance on Independent Power Producers.
2) An estimated Variable Operating Rate ("VOR") during the extension period which management deems to be reasonable based on the expected demand and the VOR rate at the end of the PPAs;
3) An average despatch factor of 59% to 85% to reflect the future demand for power; and
4) The pre-tax discount rate of 10% per annum.

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

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Office equipment and furniture RM'000 | Motor vehicles RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | | | |
| **At 1 January 2016** | 21,516 | 5,515 | 17,055 | 154 | 19,709 | 2,393 | 17,092 | 83,434 |
| Additions | – | – | – | – | 139 | 18 | 2,633 | 2,790 |
| Disposals | – | – | – | – | – | (553) | – | (553) |
| **At 31 December 2016/1 January 2017** | 21,516 | 5,515 | 17,055 | 154 | 19,848 | 1,858 | 19,725 | 85,671 |
| Additions | – | – | – | – | 55 | 270 | 1,793 | 2,118 |
| Disposals | – | – | – | – | – | (16) | (4) | (20) |
| **At 31 December 2017** | 21,516 | 5,515 | 17,055 | 154 | 19,903 | 2,112 | 21,514 | 87,769 |
| ***Accumulated depreciation*** | | | | | | | | |
| **At 1 January 2016** | – | 1,057 | 10,394 | 154 | 13,180 | 1,355 | 14,126 | 40,266 |
| Depreciation for the year | – | 58 | 800 | – | 2,945 | 290 | 2,298 | 6,391 |
| Disposals | – | – | – | – | – | (240) | – | (240) |
| **At 31 December 2016/1 January 2017** | – | 1,115 | 11,194 | 154 | 16,125 | 1,405 | 16,424 | 46,417 |
| Depreciation for the year | – | 57 | 802 | – | 2,672 | 175 | 2,077 | 5,783 |
| Disposals | – | – | – | – | – | (16) | (4) | (20) |
| **At 31 December 2017** | – | 1,172 | 11,996 | 154 | 18,797 | 1,564 | 18,497 | 52,180 |
| ***Carrying amounts*** | | | | | | | | |
| At 1 January 2016 | 21,516 | 4,458 | 6,661 | – | 6,529 | 1,038 | 2,966 | 43,168 |
| At 31 December 2016/1 January 2017 | 21,516 | 4,400 | 5,861 | – | 3,723 | 453 | 3,301 | 39,254 |
| At 31 December 2017 | 21,516 | 4,343 | 5,059 | – | 1,106 | 548 | 3,017 | 35,589 |

## 4. INTANGIBLE ASSETS

| Group | Subsidiaries | | | Associates | | |
|---|---|---|---|---|---|---|
| | Goodwill RM'000 | Interest over Power Purchase and Operation and Maintenance Agreements RM'000 | Total RM'000 | Goodwill RM'000 | Interest over Power Purchase and Power and Water Purchase Agreements RM'000 | Total RM'000 |
| ***Cost*** | | | | | | |
| **At 1 January 2016** | 8,232 | 7,752,609 | 7,760,841 | 373,269 | 939,073 | 1,312,342 |
| Effect of movements in exchange rate | – | – | – | 16,736 | – | 16,736 |
| **At 31 December 2016/1 January 2017** | 8,232 | 7,752,609 | 7,760,841 | 390,005 | 939,073 | 1,329,078 |
| Effect of movements in exchange rate | – | – | – | (38,123) | – | (38,123) |
| **At 31 December 2017** | 8,232 | 7,752,609 | 7,760,841 | 351,882 | 939,073 | 1,290,955 |
| ***Amortisation and impairment loss*** | | | | | | |
| **At 1 January 2016** | 8,232 | 3,546,356 | 3,554,588 | – | 804,913 | 804,913 |
| Amortisation for the year | – | 484,822 | 484,822 | – | 10,542 | 10,542 |
| **At 31 December 2016/1 January 2017** | 8,232 | 4,031,178 | 4,039,410 | – | 815,455 | 815,455 |
| Amortisation for the year | – | 375,255 | 375,255 | – | 10,517 | 10,517 |
| **At 31 December 2017** | 8,232 | 4,406,433 | 4,414,665 | – | 825,972 | 825,972 |
| ***Carrying amounts*** | | | | | | |
| At 1 January 2016 | – | 4,206,253 | 4,206,253 | 373,269 | 134,160 | 507,429 |
| At 31 December 2016/1 January 2017 | – | 3,721,431 | 3,721,431 | 390,005 | 123,618 | 513,623 |
| At 31 December 2017 | – | 3,346,176 | 3,346,176 | 351,882 | 113,101 | 464,983 |

## 4. INTANGIBLE ASSETS (CONTINUED)

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

The Group's revenue is substantially derived from the generation and sale of electricity energy and generating capacity in Malaysia, which is governed by the Power Purchase Agreements ("PPAs") (together with the Independent Power Producer Licence ("IPP Licences") issued by the Ministry of Energy, Water and Communications) and Power and Water Purchase Agreement ("PWPA") held by the power producing subsidiaries and associates. The Operation and Maintenance Agreements ("OMAs") held by certain subsidiaries engaged in operation and maintenance are associated with the Independent Power Producers within the Group.

The Group has determined the expected cash flows to be generated from the PPAs, OMAs (together with the IPP Licences) and PWPA as Intangible Assets.

The PPAs and OMAs held by subsidiaries in Malaysia are recognised as a single asset in accordance with MFRS 138 *Intangible Assets* in view that they are required for the generation, operation and maintenance, sale of electricity energy and generating capacity in Malaysia.

There are six (6) PPAs (together with the respective IPP Licences) held by the Group's power producing subsidiaries namely Segari Energy Ventures Sdn. Bhd. ("SEV"), GB3 Sdn. Bhd. ("GB3"), Prai Power Sdn. Bhd. ("PPSB"), Tanjung Bin Power Sdn. Bhd. ("TBP"), Port Dickson Power Berhad ("PDP") and an associate, Kapar Energy Ventures Sdn. Bhd. ("KEV"). There are five (5) OMAs held by the Group's operations and maintenance subsidiaries namely Malakoff Power Berhad ("MPB") and Tanjung Bin O&M Berhad ("TBOM"). There is one (1) PWPA held by Hidd Power Company B.S.C. (c) ("HPC"), an associate company. Intangible assets in relation to SEV and PDP have been fully amortised during the financial year 2017 and 2016, respectively.

These PPAs, PWPA and OMAs are the key documents that govern the underlying strength of the Group's cash flows, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the subsidiaries and associates.

**Initial measurement**

The fair values of the Intangible Assets arising from the PPAs, PWPA and OMAs were measured using the Multi–Period Excess Earnings Method ("MEEM") under the income method. The underlying rationale in the MEEM was that the fair value of an Intangible Asset represents the present value of the net income after taxes attributable to the Intangible Asset. The net income attributable to the Intangible Asset was the excess income after charging a fair return on and of all the assets that are necessary (contributory assets) to realise the net income. The contributory asset charges ("CAC") were based on the fair value of each contributory asset and represent the return on the assets. The assumption in calculating the CAC was that the owner of the Intangible Asset "rents" or "leases" the contributory assets from a hypothetical third party in an arm's length transaction in order to be able to derive income from the Intangible Asset. The present value of the expected income attributable to the Intangible Assets less CAC and taxes represents the value of the Intangible Asset.

## 4. INTANGIBLE ASSETS (CONTINUED)

### Initial measurement (continued)

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

| | |
|---|---|
| • Remaining useful life of PPAs/PWPA/OMAs | 2 – 25 years (in accordance with the respective PPAs, PWPA and OMAs) |
| • Dependable Capacity ("DC"): | |
| – Power | 350 MW – 2,420 MW |
| – Water | 17,047 $m^3$/hour |
| • Capacity Factor: | |
| – Power | 10% – 75% of DC |
| – Water | 91% – 99% of DC |
| • Net Output: | |
| – Electrical (million kW/hour) | 213 – 11,197 |
| – Water (thousand $m^3$) | 67,370 – 73,771 |
| • Capacity Rate: | |
| – Power (RM/kW/month) | 11.35 – 50.00 |
| – Water (RM/$m^3$/month) | 1,222 – 1,339 |
| • Fixed Operating Rate under Revenue (RM/kW/month) | 4.00 – 10.50 |
| • Variable Operating Rate under Revenue | |
| – Power (RM/kW/month) | 0.013 – 4.775 |
| – Water (RM/$m^3$/month) | 58.20 – 116.40 |
| • Fuel price (RM/mmBtu) | 4.60 – 13.70 |
| • CAC | 17.77% – 28.00% of revenue |

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

## 4. INTANGIBLE ASSETS (CONTINUED)

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

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

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

The impairment test of the above CGUs was based on the value in use, determined by discounting future cash flows to their present values equivalent using a rate of return that reflects the relative risk of the cash flows, as well as the time value of money. This is calculated by weighing the required returns on debt and equity in proportion to their assumed percentages. The applied pre–tax discount rate was 9% – 10% (2016: 9% – 10%) per annum. The discount rate reflects the current market assessment of the time value of money and is based on the estimated cost of capital. The management had applied the following key assumptions in deriving the present value of the net cash flow before taxes attributable to the Intangible Assets:

# Notes to the Consolidated Financial Statements (continued)

## 4. INTANGIBLE ASSETS (CONTINUED)

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

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

| | |
|---|---|
| • Remaining useful life of PPA/PWPA | 10 – 12 years (in accordance with the respective PPA and PWPA) |
| • Dependable Capacity ("DC"): | |
| – Power | 929 – 2,420MW |
| – Water | 17,047 $m^3$/hour |
| • Capacity Factor: | |
| – Power | 1% – 98% of DC |
| – Water | 94% – 97% of DC |
| • Net Output: | |
| – Electrical (million kW/hour) | 1,907 – 9,720 |
| – Water (thousand $m^3$) | 67,376 – 72,141 |
| • Capacity Rate: | |
| – Power (RM/kW/month) | 11.61 – 27.46 |
| – Water (RM/$m^3$/month) | 1,467 |
| • Fixed Operating Rate under Revenue: | |
| – Power (RM/kW/month) | 5.27 – 6.72 |
| – Water (RM/$m^3$/month) | 277 – 339 |
| • Variable Operating Rate under Revenue: | |
| – Power (RM/kW/month) | 0.0068 – 6.1517 |
| – Water (RM/$m^3$/month) | 104 – 127 |
| • Fuel price (RM/mmBtu) | 10.57 – 31.40 |

The values assigned to the key assumptions represent management's assessment of future trends in the power and utilities industry and are based on external sources and internal sources (historical data). As at 31 December 2017 and 31 December 2016, the estimated recoverable amount of all the CGUs exceeds the carrying amount of the goodwill and interest on PPA/PWPA of the CGUs.

The above estimates are particularly sensitive in an increase/(decrease) of the discount rate used. A 0.5 percentage point increase/(decrease) in the discount rate used would have (decreased)/increased the recoverable amounts of interest on PPA of the CGUs by (RM26,621,000)/RM27,668,000.

# Notes to the Consolidated Financial Statements (continued)

## 5. PREPAID LEASE PAYMENTS

| **Leasehold land**<br>**Group** | **Unexpired period less than 50 years RM'000** |
|---|---|
| **Cost** | |
| At 1 January 2016 | 113,223 |
| Addition during the year | 3,053 |
| At 31 December 2016/1 January 2017 | 116,276 |
| Addition during the year | – |
| At 31 December 2017 | 116,276 |
| **Amortisation** | |
| At 1 January 2016 | 43,371 |
| Amortisation for the year | 4,569 |
| At 31 December 2016/1 January 2017 | 47,940 |
| Amortisation for the year | 4,621 |
| At 31 December 2017 | 52,561 |
| **Carrying amounts** | |
| At 1 January 2016 | 69,852 |
| At 31 December 2016/1 January 2017 | 68,336 |
| At 31 December 2017 | 63,715 |

## 6. INVESTMENTS IN SUBSIDIARIES

| | **Company** | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At cost | | |
| Unquoted shares at 1 January | 8,134,741 | 8,134,741 |
| Addition during the year | 23,794 | – |
| Impairment loss | (447,886) | – |
| Unquoted shares at 31 December | 7,710,649 | 8,134,741 |

As at 31 December 2017, the Company assessed its investments in subsidiaries which have 10 years or less remaining in the terms of their Power Purchase Agreement. The Company, having considered the remaining profitability of the entities against the cost of investments, has recognised an impairment loss amounting to RM447,886,000 in the profit or loss.

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

| Name of company | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| **Direct subsidiary** | | | | |
| 1. Segari Energy Ventures Sdn. Bhd. | Malaysia | 93.75 | 93.75 | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant |
| 2. GB3 Sdn. Bhd. | Malaysia | 75 | 75 | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant |
| 3. Prai Power Sdn. Bhd. | Malaysia | 100 | 100 | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant |
| 4. Tanjung Bin Power Sdn. Bhd. | Malaysia | 90 | 90 | Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of a 2,100 MW coal–fired electricity generating facility and sale of electrical energy and generating capacity of the power plant |
| 5. Hypergantic Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| 6. Tanjung Bin Energy Sdn. Bhd. | Malaysia | 100 | 100 | Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of a 1,000 MW coal–fired electricity generating facility |
| 7. Teknik Janakuasa Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding company and provision of operation and maintenance and any related services |

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

| Name of company | | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| **Direct subsidiary (continued)** | | | | | |
| 8. | Malakoff Utilities Sdn. Bhd. | Malaysia | 100 | 100 | Build, own and operate an electricity distribution system and a centralised chilled water plant system |
| 9. | Malakoff Engineering Sdn. Bhd. | Malaysia | 100 | 100 | Provision of engineering and project management services |
| 10. | Spring Assets Limited | British Virgin Islands | 100 | 100 | Dormant |
| 11. | Malakoff Capital (L) Limited | Federal Territory of Labuan, Malaysia | 100 | 100 | Dormant |
| 12. | Malakoff International Limited | Cayman Island | 100 | 100 | Offshore – Investment holding |
| 13. | Tuah Utama Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| 14. | Desa Kilat Sdn. Bhd. | Malaysia | 54 | 54 | Land reclamation, development and/or sale of reclaimed land |
| 15. | Malakoff Power Berhad | Malaysia | 100 | 100 | Operation and maintenance of power plants |
| 16. | Malakoff R&D Sdn. Bhd. | Malaysia | 100 | 100 | Promoting, developing, acquiring and enhancing the Group's capacity and innovation in the energy business |
| 17. | Tunas Pancar Sdn. Bhd | Malaysia | 100 | – | Dormant |

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

| Name of company | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| **Indirect subsidiary** | | | | |
| **Held through Tanjung Bin Energy Sdn. Bhd.** | | | | |
| 18. Tanjung Bin Energy Issuer Berhad | Malaysia | 100 | 100 | Administer and manage the development of a 1,000 MW coal–fired electricity generating facility |
| **Held through Teknik Janakuasa Sdn. Bhd.** | | | | |
| 19. Natural Analysis Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |
| 20. TJSB Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of maintenance, repair and overhaul and any related services to power plants and any other plants of similar main and auxiliary operating systems |
| 21. TJSB International Limited | Cayman Islands | 100 | 100 | Offshore – Investment holding |
| 22. TJSB Global Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| 23. PT. Teknik Janakuasa^ | Indonesia | 95 | 95 | Provision of operation and maintenance services to power plant and/or other utility plants |
| **Held through TJSB International Limited** | | | | |
| 24. TJSB International (Shoaiba) Limited | British Virgin Islands | 100 | 100 | Offshore – Investment holding |
| 25 TJSB Middle East Limited | British Virgin Islands | 100 | 100 | Operation and maintenance of power plant |
| **Held through Malakoff Engineering Sdn. Bhd.** | | | | |
| 26. MESB Project Management Sdn. Bhd. | Malaysia | 100 | 100 | Dormant |

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

| Name of company | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| **Indirect subsidiary (continued)** | | | | |
| **Held through Malakoff International Limited** | | | | |
| 27. Malakoff Gulf Limited | British Virgin Islands | 100 | 100 | Offshore – Investment holding |
| 28. Malakoff Technical (Dhofar) Limited | British Virgin Islands | 100 | 100 | Offshore – Investment holding |
| 29. Malakoff AlDjazair Desal Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| 30. Malakoff Oman Desalination Company Limited | British Virgin Islands | 100 | 100 | Offshore – Investment holding |
| 31. Malakoff Hidd Holding Company Limited | Guernsey | 100 | 100 | Asset, property, investment, intellectual property and other holding companies |
| 32. Pacific Goldtree Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| **Held through Malakoff AlDjazair Desal Sdn. Bhd.** | | | | |
| 33. Tlemcen Desalination Investment Company SAS* | France | 70 | 70 | Offshore – Investment holding |
| **Held through Malakoff Hidd Holding Company Limited** | | | | |
| 34. Malakoff Summit Hidd Holding Company Limited | Guernsey | 57.14 | 57.14 | Asset, property, investment, intellectual property and other holding companies |
| **Held through Malakoff Power Berhad** | | | | |
| 35. Tanjung Bin O&M Berhad | Malaysia | 100 | 100 | Operation and maintenance of power plant |
| 36. PDP O&M Sdn. Bhd.^ | Malaysia | 100 | 100 | Operation and maintenance of power plant |

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

| Name of company | Principal place of business/ Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|
| **Indirect subsidiary (continued)** | | | | |
| **Held through Hypergantic Sdn. Bhd.** | | | | |
| 37. Port Dickson Power Berhad^ | Malaysia | 100 | 100 | Independent power producer licensed by the Government to supply electricity exclusively to Tenaga Nasional Berhad |
| **Held through Pacific Goldtree Sdn. Bhd.** | | | | |
| 38. Skyfirst Power Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| **Held through Skyfirst Power Sdn. Bhd.** | | | | |
| 39. Malakoff Australia Pty. Ltd.* | Australia | 100 | 100 | Investment holding |
| 40. Wind Macarthur Holdings (T) Pty. Limited* | Australia | 100 | 100 | Investment holding |
| **Held through Malakoff Australia Pty. Ltd.** | | | | |
| 41. Malakoff Holdings Pty. Ltd.* | Australia | 100 | 100 | Investment holding |
| **Held through Malakoff Holdings Pty. Ltd.** | | | | |
| 42. Malakoff Wind Macarthur Holdings Pty. Limited* | Australia | 100 | 100 | Investment holding |
| **Held through Malakoff Wind Macarthur Holdings Pty. Limited** | | | | |
| 43. Malakoff Wind Macarthur Pty. Limited* | Australia | 100 | 100 | Leasing of wind turbine assets |
| **Held through Wind Macarthur Holdings (T) Pty. Limited** | | | | |
| 44. Wind Macarthur (T) Pty. Limited* | Australia | 100 | 100 | Leasing of plant and equipment |
| **Held through Wind Macarthur (T) Pty. Limited** | | | | |
| 45. Wind Macarthur Finco Pty. Limited* | Australia | 100 | 100 | Financing operations for Macarthur Wind Farm project |

* Audited by other member firms of KPMG International

^ Not audited by member firms of KPMG International

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non–controlling interests ("NCI") are as follows:

| **Group**<br>**2017** | **Segari Energy Ventures Sdn. Bhd.**<br>**RM'000** | **GB3 Sdn. Bhd.**<br>**RM'000** | **Tanjung Bin Power Sdn. Bhd.**<br>**RM'000** | **Other subsidiaries with immaterial NCI**<br>**RM'000** | **Total**<br>**RM'000** |
|---|---|---|---|---|---|
| NCI percentage of ownership interest and voting interest | 6.25% | 25% | 10% | | |
| Carrying amount of NCI | 54,009 | 104,420 | 69,684 | (2,543) | 225,570 |
| (Loss)/Profit allocated to NCI | (1,415) | 13,683 | 54,720 | (1) | 66,987 |
| **Summarised financial information before intra-group elimination** | | | | | |
| **As at 31 December** | | | | | |
| Non-current assets | 1,586,014 | 640,321 | 5,208,945 | | |
| Current assets | 714,082 | 171,652 | 4,101,875 | | |
| Non-current liabilities | (1,309,768) | (312,012) | (7,759,959) | | |
| Current liabilities | (126,181) | (82,283) | (854,026) | | |
| Net assets | 864,147 | 417,678 | 696,835 | | |
| **Year ended 31 December** | | | | | |
| Revenue | 989,791 | 365,730 | 3,958,047 | | |
| (Loss)/Profit for the year | (22,647) | 54,733 | 547,195 | | |
| Total comprehensive (expense)/income | (22,647) | 54,733 | 547,195 | | |
| Cash flows from operating activities | 268,591 | 119,174 | 1,278,513 | | |
| Cash flows used in investing activities | (32,755) | (53,357) | (1,473,286) | | |
| Cash flows used in financing activities | (201,280) | (80,000) | (663,926) | | |
| Net increase/(decrease) in cash and cash equivalents | 34,556 | (14,183) | (858,699) | | |
| Dividend paid to NCI | – | 20,000 | 37,000 | – | 57,000 |

# Notes to the Consolidated Financial Statements (continued)

## 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non–controlling interests ("NCI") are as follows (continued):

| Group<br>2016 | Segari Energy Ventures Sdn. Bhd.<br>RM'000 | GB3 Sdn. Bhd.<br>RM'000 | Tanjung Bin Power Sdn. Bhd.<br>RM'000 | Other subsidiaries with immaterial NCI<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| NCI percentage of ownership interest and voting interest | 6.25% | 25% | 10% | | |
| Carrying amount of NCI | 55,425 | 110,736 | 51,964 | (2,542) | 215,583 |
| Profit/(Loss) allocated to NCI | 6,179 | 6,892 | 37,647 | (139) | 50,579 |
| **Summarised financial information before intra-group elimination** | | | | | |
| **As at 31 December** | | | | | |
| Non-current assets | 1,775,838 | 696,976 | 5,404,981 | | |
| Current assets | 876,354 | 207,545 | 3,200,791 | | |
| Non-current liabilities | (1,455,722) | (368,743) | (7,541,209) | | |
| Current liabilities | (309,675) | (92,833) | (544,923) | | |
| Net assets | 886,795 | 442,945 | 519,640 | | |
| **Year ended 31 December** | | | | | |
| Revenue | 1,176,061 | 308,347 | 2,991,412 | | |
| Profit for the year | 98,863 | 27,570 | 376,471 | | |
| Total comprehensive income | 98,863 | 27,570 | 376,471 | | |
| Cash flows from operating activities | 410,365 | 91,894 | 1,268,072 | | |
| Cash flows used in investing activities | (171,790) | (4,749) | (616,185) | | |
| Cash flows used in financing activities | (259,851) | (80,000) | (593,875) | | |
| Net (decrease)/increase in cash and cash equivalents | (21,276) | 7,145 | 58,012 | | |
| Dividend paid to NCI | – | 20,000 | 30,000 | – | 50,000 |

## 7. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At cost | | | | |
| Unquoted shares: | | | | |
| – in Malaysia | 269,060 | 269,060 | 896,430 | 896,430 |
| – outside Malaysia | 86,333 | 86,333 | – | – |
| Unquoted preference shares: | | | | |
| – in Malaysia | – | 4,000 | – | – |
| Unquoted loan stocks: | | | | |
| – in Malaysia | 329,030 | 335,430 | 329,030 | 335,430 |
| – outside Malaysia | 115,478 | 115,478 | – | – |
| Pre-acquisition reserves | 125,275 | 125,275 | – | – |
| Share of post-acquisition reserves | 180,890 | 26,811 | – | – |
| Impairment loss | – | – | (151,863) | – |
| | 1,106,066 | 962,387 | 1,073,597 | 1,231,860 |
| Add: Intangible assets acquired through business combination (see Note 4) | | | | |
| Goodwill | 351,882 | 390,005 | – | – |
| Interest over PPA and PWPA | 939,073 | 939,073 | – | – |
| | 1,290,955 | 1,329,078 | – | – |
| Less: Amortisation of intangible assets | | | | |
| At 1 January | (351,809) | (341,267) | – | – |
| Amortisation for the year | (10,517) | (10,542) | – | – |
| At 31 December | (362,326) | (351,809) | – | – |
| Less: Impairment loss on intangible assets | | | | |
| At 1 January/31 December | (463,646) | (463,646) | – | – |
| | 464,983 | 513,623 | – | – |
| | 1,571,049 | 1,476,010 | 1,073,597 | 1,231,860 |

As at 31 December 2017, the Company assessed its investment in an associate which has 12 years remaining in the terms of the Power Purchase Agreement. The Company, having considered the remaining profitability of the entity against the cost of investment, has recognised an impairment loss amounting to RM151,863,000 in the profit or loss.

# Notes to the Consolidated Financial Statements (continued)

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of associates are as follows:

| No. | Name of company | Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| 1. | Kapar Energy Ventures Sdn. Bhd. | Malaysia | 40 | 40 | Generation and sale of electricity |
| 2. | Lekir Bulk Terminal Sdn. Bhd. | Malaysia | 20 | 20 | Development, ownership and management of a dry bulk terminal |
| 3. | Malaysian Shoaiba Consortium Sdn. Bhd. | Malaysia | 40 | 40 | Investment holding |
| 4. | Saudi–Malaysia Water & Electricity Company Limited | Kingdom of Saudi Arabia | 20 | 20 | Offshore – Investment holding |
| 5. | Shuaibah Water & Electricity Company Limited | Kingdom of Saudi Arabia | 12 | 12 | Design, construction, commissioning, testing, possession, operation and maintenance of crude oil fired power generation and water desalination plant |
| 6. | Shuaibah Expansion Holding Company Limited | Kingdom of Saudi Arabia | 12 | 12 | Development, construction, ownership, operation and maintenance of the Shuaibah Phase 3 Expansion independent water producer ("IWP"), transport and sale of water and undertake all works and activities related thereto, directly or through another company holding most of its shares or stock |
| 7. | Shuaibah Expansion Project Company Limited | Kingdom of Saudi Arabia | 11.9 | 11.9 | Development, construction, possession, operation and maintenance of the Shuaibah Phase 3 Expansion IWP, transfer and sell water and all relevant works and activities |
| 8. | Oman Technical Partners Limited | British Virgin Islands | 43.48 | 43.48 | Offshore – Investment holding |
| 9. | Salalah Power Holdings Limited | Bermuda | 43.48 | 43.48 | Offshore – Investment holding |
| 10. | Al–Imtiaz Operation and Maintenance Company Limited | Kingdom of Saudi Arabia | 20 | 20 | Implementation of operation and maintenance contracts for stations of electrical power generation and water desalination |

# Notes to the Consolidated Financial Statements (continued)

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of associates are as follows (continued):

| No. | Name of company | Country of incorporation | Effective ownership interest and voting interest (%) 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| 11. | Saudi-Malaysia Operation and Maintenance Services Company Limited | Kingdom of Saudi Arabia | 20 | 20 | Operation and maintenance of power and water desalination plant |
| 12. | Hyflux–TJSB Algeria SPA | Algeria | 49 | 49 | Operation and maintenance of water desalination plant |
| 13. | Hidd Power Company B.S.C. (c) | Bahrain | 40 | 40 | Building, operation and maintenance of power and water stations for special purposes (specific supply only) |
| 14. | Muscat City Desalination Operation and Maintenance Company LLC | Sultanate of Oman | 31.5 | 31.5 | Operation and maintenance of pump stations and pipelines, installation and repair of electric power and transformer plants and telecommunications and radar plants, export and import offices, and laying and maintenance of all kinds of pipes, business agencies (excluding portfolio and securities) and wholesale of industrial chemicals |
| 15. | Muscat City Desalination Company S.A.O.G | Sultanate of Oman | 45 | 45 | Desalination of water |

# Notes to the Consolidated Financial Statements (continued)

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

| Group<br>2017 | Kapar Energy Ventures Sdn. Bhd.<br>RM'000 | Shuaibah Water & Electricity Company Limited<br>RM'000 | Hidd Power Company B.S.C. (c)<br>RM'000 | Muscat City Desalination Company S.A.O.G<br>RM'000 | Lekir Bulk Terminal Sdn. Bhd.<br>RM'000 |
|---|---|---|---|---|---|
| **Summarised financial information** | | | | | |
| **As at 31 December** | | | | | |
| Non–current assets | 1,951,950 | 6,937,938 | 3,272,366 | 1,009,772 | 382,279 |
| Current assets | 1,797,544 | 451,410 | 582,735 | 45,906 | 61,040 |
| Non-current liabilities | (2,174,062) | (4,561,463) | (3,091,051) | (868,243) | (220,614) |
| Current liabilities | (1,045,404) | (639,775) | (254,507) | (47,640) | (57,794) |
| Net assets | 530,028 | 2,188,110 | 509,543 | 139,795 | 164,911 |
| **Year ended 31 December** | | | | | |
| (Loss)/Profit | (75,588) | 450,423 | 147,346 | (3,361) | 22,475 |
| Other comprehensive income | – | 171,183 | 145,745 | 9,329 | – |
| Total comprehensive (expense)/income | (75,588) | 621,606 | 293,091 | 5,968 | 22,475 |
| **Included in the total comprehensive income/(expense) are:** | | | | | |
| Revenue | 2,267,339 | 1,302,327 | 1,689,693 | 172,140 | 112,816 |
| Depreciation and amortisation | (892) | (320,654) | (227,202) | (37,848) | (21,202) |
| Interest income | 19,699 | – | – | – | 84 |
| Interest expense | (198,469) | (347,893) | (161,797) | (39,031) | (1,125) |
| Income tax expense | (81,590) | (29,685) | – | (22,827) | (6,365) |

# Notes to the Consolidated Financial Statements (continued)

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (continued).

| Group<br>2017 | Kapar Energy Ventures Sdn. Bhd.<br>RM'000 | Shuaibah Water & Electricity Company Limited<br>RM'000 | Hidd Power Company B.S.C. (c)<br>RM'000 | Muscat City Desalination Company S.A.O.G<br>RM'000 | Lekir Bulk Terminal Sdn. Bhd.<br>RM'000 | Other individually immaterial associates<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of net assets to carrying amount** | | | | | | | |
| **As at 31 December** | | | | | | | |
| Group's share of net assets | 212,011 | 262,573 | 203,817 | 62,908 | 32,982 | 2,745 | 777,036 |
| Goodwill | – | – | 351,882 | – | – | – | 351,882 |
| Intangible assets | 61,560 | – | 51,541 | – | – | – | 113,101 |
| Redeemable unsecured loan stocks | 329,030 | – | – | – | – | – | 329,030 |
| Carrying amount in the statements of financial position | 602,601 | 262,573 | 607,240 | 62,908 | 32,982 | 2,745 | 1,571,049 |
| **Group's share of results** | | | | | | | |
| **Year ended 31 December** | | | | | | | |
| Group's share of (loss)/profit for the year | (30,235) | 54,051 | 58,938 | (1,512) | 4,495 | 3,501 | 89,238 |
| Group's share of other comprehensive income | – | 20,542 | 58,298 | 4,198 | – | 3,333 | 86,371 |
| Group's share of total comprehensive (expense)/income | (30,235) | 74,593 | 117,236 | 2,686 | 4,495 | 6,834 | 175,609 |
| **Other information** | | | | | | | |
| Dividend received | – | – | 20,988 | – | – | 547 | 21,535 |

# Notes to the Consolidated Financial Statements (continued)

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (continued).

| Group 2016 | Kapar Energy Ventures Sdn. Bhd. RM'000 | Shuaibah Water & Electricity Company Limited RM'000 | Hidd Power Company B.S.C. (c) RM'000 | Muscat City Desalination Company S.A.O.G RM'000 | Lekir Bulk Terminal Sdn. Bhd. RM'000 |
|---|---|---|---|---|---|
| **Summarised financial information** | | | | | |
| **As at 31 December** | | | | | |
| Non-current assets | 2,315,125 | 7,340,856 | 3,641,403 | 1,136,363 | 399,215 |
| Current assets | 1,651,326 | 661,976 | 613,752 | 138,821 | 63,955 |
| Non–current liabilities | (3,049,302) | (5,678,419) | (3,760,524) | (956,312) | (236,152) |
| Current liabilities | (311,531) | (757,910) | (225,704) | (185,046) | (64,596) |
| Net assets | 605,618 | 1,566,503 | 268,927 | 133,826 | 162,422 |
| **Year ended 31 December** | | | | | |
| (Loss)/Profit | (69,045) | 363,653 | 110,511 | 13,969 | 23,305 |
| Other comprehensive income | – | 124,590 | 84,111 | 7,643 | – |
| Total comprehensive (expense)/income | (69,045) | 488,243 | 194,622 | 21,612 | 23,305 |
| **Included in the total comprehensive income/(expense) are:** | | | | | |
| Revenue | 1,853,105 | 1,205,194 | 1,561,246 | 136,364 | 33,056 |
| Depreciation and amortisation | (1,237) | (309,401) | (222,792) | (30,112) | (6,403) |
| Interest income | 18,138 | – | – | – | 507 |
| Interest expense | (220,827) | (367,905) | (162,282) | (31,231) | (784) |
| Income tax expense | (12,985) | (25,328) | – | – | (3,074) |

## 7. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (continued).

| Group 2016 | Kapar Energy Ventures Sdn. Bhd. RM'000 | Shuaibah Water & Electricity Company Limited RM'000 | Hidd Power Company B.S.C. (c) RM'000 | Muscat City Desalination Company S.A.O.G RM'000 | Lekir Bulk Terminal Sdn. Bhd. RM'000 | Other individually immaterial associates RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of net assets to carrying amount** | | | | | | | |
| **As at 31 December** | | | | | | | |
| Group's share of net assets | 242,247 | 187,980 | 107,571 | 60,222 | 32,484 | (3,547) | 626,957 |
| Goodwill | – | – | 390,005 | – | – | – | 390,005 |
| Intangible assets | 66,833 | – | 56,785 | – | – | – | 123,618 |
| Redeemable unsecured loan stocks | 335,430 | – | – | – | – | – | 335,430 |
| Carrying amount in the statements of financial position | 644,510 | 187,980 | 554,361 | 60,222 | 32,484 | (3,547) | 1,476,010 |
| **Group's share of results** | | | | | | | |
| **Year ended 31 December** | | | | | | | |
| Group's share of (loss)/ profit for the year | (27,618) | 43,638 | 44,204 | 6,286 | 4,661 | 3,233 | 74,404 |
| Group's share of other comprehensive income | – | 14,951 | 33,644 | 3,439 | – | 2,503 | 54,537 |
| Group's share of total comprehensive (expense)/income | (27,618) | 58,589 | 77,848 | 9,725 | 4,661 | 5,736 | 128,941 |
| **Other information** | | | | | | | |
| Dividend received | – | – | 28,762 | – | – | 475 | 29,237 |

# Notes to the Consolidated Financial Statements (continued)

## 8. INVESTMENT IN A JOINT VENTURE

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **At cost** | | |
| Unquoted shares, outside Malaysia | 64,118 | 64,118 |
| Share of post–acquisition reserves | (64,118) | (64,118) |
| | – | – |

The Group has an interest in Almiyah Attilemcania SPA ("AAS"), a joint arrangement which is principally engaged in the construction, operation and maintenance of a sea water desalination plant and marketing of desalinated water produced in Algeria. AAS is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in AAS as a joint venture.

The following tables summarise the financial information of AAS, as adjusted for any differences in accounting policies and reconcile the information to the carrying amount of the Group's interest in AAS, which is accounted for using the equity method.

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Percentage of ownership interest | 35.7% | 35.7% |
| Percentage of voting interest | 40.0% | 40.0% |
| | | |
| **Summarised financial information** | | |
| **As at 31 December** | | |
| Non-current assets | 467,339 | 467,339 |
| Current assets | 174,081 | 174,081 |
| Non-current liabilities | (452,484) | (452,484) |
| Current liabilities | (188,936) | (188,936) |
| | – | – |
| **Year ended 31 December** | | |
| Loss for the year | – | (155,294) |
| **Included in the loss for the year are:** | | |
| Revenue | – | 14,573 |
| Depreciation and amortisation | – | (21,568) |
| Interest expense | – | (14,884) |

## 8. INVESTMENT IN A JOINT VENTURE (CONTINUED)

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Reconciliation of net assets to carrying amount** | | |
| **As at 31 December** | | |
| Group's share of net assets | – | – |
| Carrying amount in the statements of financial position | – | – |
| **Group's share of result** | | |
| **Year ended 31 December** | | |
| Group's share of loss for the year | – | (55,440) |

In the previous financial year, the Group has made a provision in relation to a dispute in the joint venture. The provision was made up to the carrying amount of the investment in the joint venture as disclosed in Note 35.

## 9. FINANCE LEASE RECEIVABLE

The finance lease receivable relates to the 25–year lease agreement for the right to use and occupy 3 parcels of land, substation and assets.

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Minimum lease payments:** | | |
| Within one year | 182,792 | 180,678 |
| 1–2 years | 187,566 | 187,262 |
| 2–5 years | 590,612 | 592,197 |
| Over 5 years | 3,730,044 | 4,026,282 |
| Gross investment in finance lease | 4,691,014 | 4,986,419 |
| Less : Unearned finance income | (2,482,811) | (2,721,420) |
| Present value of minimum lease payments | 2,208,203 | 2,264,999 |
| **Analysed as:** | | |
| 1–2 years | 15,251 | 9,796 |
| 2–5 years | 84,109 | 67,466 |
| Over 5 years | 2,108,843 | 2,187,737 |
| Total finance lease receivable | 2,208,203 | 2,264,999 |
| **Comprising:** | | |
| Non–current | 2,208,203 | 2,264,999 |
| | 2,208,203 | 2,264,999 |

For the financial year ended 31 December 2017, the Group recognised finance lease income of RM181,405,000 (2016: RM170,837,000) as disclosed in Note 23.

# Notes to the Consolidated Financial Statements (continued)

## 10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

| Group | 2017 Assets RM'000 | 2017 Liabilities RM'000 | 2016 Assets RM'000 | 2016 Liabilities RM'000 |
|---|---|---|---|---|
| **Non-current** | | | | |
| Derivatives used for hedging | | | | |
| – Interest rate swaps | – | (112,048) | – | (153,681) |
| – Cross currency swaps | 417,283 | – | 670,796 | – |
| | 417,283 | (112,048) | 670,796 | (153,681) |
| **Current** | | | | |
| Derivatives used for hedging | | | | |
| – Interest rate swaps | – | (23,665) | – | (31,411) |
| | – | (23,665) | – | (31,411) |
| | 417,283 | (135,713) | 670,796 | (185,092) |

Interest rate and cross currency swaps are used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's policy. The Group entered into interest rate and cross currency swaps, to hedge the interest rate and foreign exchange risks. The interest rate and cross currency swaps were entered into for a period of 5 to 17 years.

## 11. TRADE AND OTHER RECEIVABLES

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Other receivables | 11.1 | 81,540 | 91,902 | – | – |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | 11.2 | 1,535,554 | 1,472,533 | – | – |
| Less: Allowance for impairment loss | | (266,814) | (271,673) | – | – |
| | | 1,268,740 | 1,200,860 | – | – |
| **Non-trade** | | | | | |
| Amounts due from subsidiaries | 11.3 | – | – | 1,516,027 | 1,008,238 |
| Amount due from an associate | 11.4 | 191,904 | 182,312 | 191,904 | 182,312 |
| Other receivables | | 511,532 | 511,128 | 8,231 | 3,084 |
| Deposits and prepayments | | 146,658 | 152,257 | 5,697 | 7,723 |
| | | 850,094 | 845,697 | 1,721,859 | 1,201,357 |
| | | 2,118,834 | 2,046,557 | 1,721,859 | 1,201,357 |
| | | 2,200,374 | 2,138,459 | 1,721,859 | 1,201,357 |

# Notes to the Consolidated Financial Statements (continued)

## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 11.1 Other receivables

Other receivables represent transaction costs arose from derivative instruments, which will be amortised systematically over the tenure of the hedged item.

### 11.2 Trade receivables

Included in trade receivables of the Group is an amount owing from an entity that is under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group) as at the reporting period as follows:

| | Gross balance outstanding 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Tenaga Nasional Berhad | 1,511,028 | 1,442,736 |

### 11.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM652,322,469 (2016: nil) which is subject to interest rate of 5.9% per annum.

### 11.4 Amount due from an associate

The amount due from an associate relates to an amount which is subject to interest rate of 8% per annum (2016: 8% per annum).

## 12. DEFERRED TAX ASSETS AND (LIABILITIES)

Deferred tax assets and (liabilities) are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| **Group** | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Property, plant and equipment | – | – | (2,213,853) | (2,140,336) | (2,213,853) | (2,140,336) |
| Provisions | 123,467 | 75,881 | – | – | 123,467 | 75,881 |
| Intangibles | – | – | (720,390) | (804,627) | (720,390) | (804,627) |
| Unutilised tax losses | 28,871 | 7,893 | – | – | 28,871 | 7,893 |
| Unutilised capital allowances | 572,538 | 440,339 | – | – | 572,538 | 440,339 |
| Deferred income | 866,836 | 800,052 | – | – | 866,836 | 800,052 |
| Deferred expenses | – | – | (85,560) | (86,311) | (85,560) | (86,311) |
| Tax assets/(liabilities) | 1,591,712 | 1,324,165 | (3,019,803) | (3,031,274) | (1,428,091) | (1,707,109) |
| Set–off of tax | (1,452,225) | (1,254,597) | 1,452,225 | 1,254,597 | – | – |
| Net tax assets/(liabilities) | 139,487 | 69,568 | (1,567,578) | (1,776,677) | (1,428,091) | (1,707,109) |
| **Company** | | | | | | |
| Property, plant and equipment | – | – | (738) | (1,705) | (738) | (1,705) |

# Notes to the Consolidated Financial Statements (continued)

## 12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Movements in temporary differences during the year:

| Group | At 1.1.2016 RM'000 | Recognised in profit or loss (Note 26) RM'000 | Recognised in other comprehensive (expense)/ income (Note 28) RM'000 | At 31.12.2016/ 1.1.2017 RM'000 | Recognised in profit or loss (Note 26) RM'000 | Recognised in other comprehensive (expense)/ income (Note 28) RM'000 | At 31.12.2017 RM'000 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Provisions | 75,416 | (1,618) | 2,083 | 75,881 | 55,790 | (8,204) | 123,467 |
| Unutilised tax losses | 24,090 | (16,197) | – | 7,893 | 20,978 | – | 28,871 |
| Unutilised capital allowances | 4,061 | 436,278 | – | 440,339 | 132,199 | – | 572,538 |
| Deferred income | 746,247 | 53,805 | – | 800,052 | 66,784 | – | 866,836 |
| Tax assets | 849,814 | 472,268 | 2,083 | 1,324,165 | 275,751 | (8,204) | 1,591,712 |
| Set-off of tax | (778,128) | (476,469) | – | (1,254,597) | (197,628) | – | (1,452,225) |
| Net tax assets | 71,686 | (4,201) | 2,083 | 69,568 | 78,123 | (8,204) | 139,487 |
| **Deferred tax liabilities** | | | | | | | |
| Property, plant and equipment | (1,778,955) | (361,381) | – | (2,140,336) | (73,517) | – | (2,213,853) |
| Intangibles | (915,165) | 110,538 | – | (804,627) | 84,237 | – | (720,390) |
| Deferred expense | (63,795) | (22,516) | – | (86,311) | 751 | – | (85,560) |
| Tax liabilities | (2,757,915) | (273,359) | – | (3,031,274) | 11,471 | – | (3,019,803) |
| Set-off of tax | 778,128 | 476,469 | – | 1,254,597 | 197,628 | – | 1,452,225 |
| Net tax liabilities | (1,979,787) | 203,110 | – | (1,776,677) | 209,099 | – | (1,567,578) |

| Company | At 1.1.2016 RM'000 | Recognised in profit or loss (Note 26) RM'000 | At 31.12.2016/ 1.1.2017 RM'000 | Recognised in profit or loss (Note 26) RM'000 | At 31.12.2017 RM'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment | (426) | (1,279) | (1,705) | 967 | (738) |

## 12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Included in the Group's deferred tax assets as at 31 December 2017 is deferred tax in relation to Malakoff Australia Pty. Ltd.'s joint venture in the Macarthur Wind Farm project amounting to RM14,183,000. In 2015, the Group made an application to the Australian Taxation Office ("ATO") for a private ruling to confirm the taxation implications in relation to the initial restructuring and asset transfer within the Malakoff Group. Whilst the outcome of the ruling was positive, the ATO indicated that the swap contracts entered into by the subsidiary may not be allowed as tax deductions under the Taxation of Financial Agreements ("TOFA") rules.

The Directors of the subsidiary, in consultation with the external consultants, are of the view that the swap contracts represent TOFA assets and therefore are regarded as tax deductions under TOFA rules.

The Group has estimated an increase in deferred tax liability of AUD40,986,000 (approximately RM129,544,000) as at 31 December 2017, if the swap contracts are deemed as non-deductible assets from the perspective of tax authorities.

## 13. INVENTORIES

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| **At cost** | | |
| Consumables | 380,915 | 387,611 |
| Coal | 399,868 | 206,220 |
| Diesel fuel | 77,991 | 68,442 |
| | 858,774 | 662,273 |

## 14. OTHER INVESTMENTS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| **Loans and receivables:** | | |
| Deposits with licensed banks and other licensed corporations | 2,641,829 | 1,403,801 |

Included in other investments of the Group is an amount of RM2,250,948,000 (2016: RM1,307,764,000) placed with licensed banks which are under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group).

## 15. CASH AND CASH EQUIVALENTS

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

Included in cash and cash equivalents of the Group and of the Company is an amount of RM2,000,667,000 (2016: RM2,409,872,000) and RM388,809,000 (2016: RM220,477,000) respectively placed with licensed banks and other licensed corporations which are under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group and the Company).

## 16. CAPITAL AND RESERVES

**Share capital**

| Group and Company | Amount 2017 RM'000 | Number of shares 2017 '000 | Amount 2016 RM'000 | Number of shares 2016 '000 |
|---|---|---|---|---|
| Ordinary shares issued and fully paid: | | | | |
| At 1 January | 500,000 | 5,000,000 | 500,000 | 5,000,000 |
| Transfer from share premium and capital redemption reserve | 5,193,055 | – | – | – |
| At 31 December | 5,693,055 | 5,000,000 | 500,000 | 5,000,000 |

During the financial year, all amount standing to the credit of the share premium account and the capital redemption reserve account have been consolidated into the share capital account in accordance with Section 618(2) of Companies Act 2016.

***Ordinary shares***

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

## 16. CAPITAL AND RESERVES (CONTINUED)

***Treasury shares***

During the financial year, the Company repurchased a total of 1,824,000 ordinary shares from the open market for a total consideration of RM1,641,294 at an average cost of RM0.90 per share. The repurchase transactions were financed by internally generated fund. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. The Company has not cancelled any treasury shares during the financial year. As at 31 December 2017, the total number of treasury shares held is 0.036% of the total number of issued share capital of the Company.

| Group and Company | Amount 2017 RM'000 | Number of shares 2017 '000 |
|---|---|---|
| **Treasury shares** | | |
| At 1 January | – | – |
| Purchase during the year | 1,641 | 1,824 |
| At 31 December | 1,641 | 1,824 |

***Foreign currency translation reserve***

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

***Capital redemption reserve***

The Company had on 1 October 2009 redeemed 8,400,000 RCPS at a redemption price of RM10.00 per share comprising the nominal amount of RM0.10 each and premium of RM9.90 each to the RCPS holders. The redemption was made proportionately in respect of each holding of RCPS, fully paid out from the retained profits and share premium account of the Company.

An amount equivalent to the nominal value of the RCPS totalling RM840,000 was transferred from the capital redemption reserve account to the share capital account pursuant to the transitional provisions set out under the requirement of Section 618(2) of the Companies Act 2016 in Malaysia.

***Hedging reserve***

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related transactions that have not yet occurred.

# Notes to the Consolidated Financial Statements (continued)

## 17. PERPETUAL SUKUK

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Nominal value** | | |
| At 1 January | – | – |
| Issuance during the year | 800,000 | – |
| 31 December | 800,000 | – |

On 15 March 2017, Tanjung Bin Energy Sdn. Bhd. ("TBE"), a wholly-owned subsidiary of the Company, issued unrated perpetual sukuk of RM800 million in nominal value in accordance with Shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") with an unconditional and irrevocable subordinated cash deficiency support from the Company.

Details of the Sukuk Wakalah are as follows:

a) The perpetual sukuk has no fixed redemption date and the Company has an option to redeem all or part of the perpetual sukuk at the end of the seventh year from date of issuance and thereafter on each subsequent periodic distribution date;

b) The perpetual sukuk is unsecured and carries a periodic distribution rate of 5.9% per annum, payable semi-annually from year 1 to year 7. Thereon, the period distribution rate shall be 1% above the prevailing periodic distribution rate;

c) The Company has the right to defer the payment of the periodic distribution amount by giving the required deferral notice. Deferred periodic distribution, if any, will be cumulative but will not earn additional profits thus there will be no compounding effect; and

d) The holder of perpetual sukuk shall have no voting rights at any general meeting of the shareholders of TBE.

Based on the underlying issuing terms, the perpetual sukuk is classified as equity in the financial statements of TBE in accordance with Malaysian Financial Reporting Standards ("MFRS").

## 18. LOANS AND BORROWINGS

| | | Group | |
|---|---|---|---|
| | | 2017 | 2016 |
| | Note | RM'000 | RM'000 |
| **Non-current** | | | |
| ***Secured*** | | | |
| AUD term loan 1 | 18.1 | 442,498 | 453,320 |
| AUD term loan 2 | 18.2 | 448,151 | 1,597,680 |
| RM term loan | 18.3 | 1,810 | 6,946 |
| Sukuk Ijarah medium term notes | 18.4 | 3,707,931 | 3,662,891 |
| Sukuk medium term notes | 18.5 | 3,653,761 | 3,921,702 |
| Sukuk Wakalah | 18.6 | 290,000 | 290,000 |
| Senior Sukuk Murabahah | 18.7 | 3,145,000 | 3,205,000 |
| Senior RM term loan | 18.8 | 592,550 | 653,310 |
| Senior USD term loan | 18.9 | 1,505,347 | 1,743,080 |
| USD term loan | 18.10 | 307,610 | – |
| ***Unsecured*** | | | |
| Subordinated loan notes | | 85,500 | 92,500 |
| | | 14,180,158 | 15,626,429 |
| **Current** | | | |
| ***Secured*** | | | |
| AUD term loan 2 | 18.2 | 1,111,388 | 29,919 |
| RM term loan | 18.3 | 5,135 | 5,135 |
| Sukuk medium term notes | 18.5 | 330,000 | – |
| Sukuk Wakalah | 18.6 | – | 55,000 |
| Senior Sukuk Murabahah | 18.7 | 60,000 | 85,000 |
| Senior RM term loan | 18.8 | 60,760 | 46,690 |
| Senior USD term loan | 18.9 | 67,350 | 51,320 |
| USD term loan | 18.10 | 16,190 | 347,216 |
| ***Unsecured*** | | | |
| Junior EBL term loan | 18.11 | – | 1,290,139 |
| | | 1,650,823 | 1,910,419 |
| | | 15,830,981 | 17,536,848 |

## 18. LOANS AND BORROWINGS (CONTINUED)

### 18.1 AUD term loan 1 drawdown by Malakoff International Limited ("MIL")

*Security*

As at 31 December 2017, the AUD term loan 1 is secured over a first ranking share pledged over investment in subsidiaries and assignment of MIL's rights under certain intercompany loans.

*Significant covenant*

MIL is required to maintain a total debt-to-equity ratio of the parent (the Company) of not more than 1:1 and a Group total debt–to–equity ratio of not more than 5.5:1.

### 18.2 AUD term loan 2 drawdown by Wind Macarthur Finco Pty Limited ("WMF")

*Security*

As at 31 December 2017, the AUD term loan 2 is secured over certain subsidiaries' security documents.

*Significant covenant*

WMF is required to maintain a minimum projected debt service cover ratio of 1.10:1 on any two consecutive calculation date.

### 18.3 RM term loan drawdown by Malakoff Utilities Sdn. Bhd. ("MUSB")

*Security*

As at 31 December 2017, the RM term loan is secured over certain property, plant and equipment with a carrying amount of RM25,904,000 (2016: RM30,574,000).

*Significant covenant*

MUSB is required to maintain a debt-to-equity ratio of not more than 1.50:1 and a debt service cover ratio of not less than 1.20 times.

### 18.4 Sukuk Ijarah medium term notes issued by Tanjung Bin Power Sdn. Bhd. ("TBP")

*Security*

As at 31 December 2017, the Sukuk Ijarah medium term notes are secured over property, plant and equipment with a carrying amount of RM4,933,823,000 (2016: RM5,088,042,000).

*Significant covenant*

TBP is required to maintain a debt–to–equity ratio of not more than 80:20 and a finance service cover ratio of at least 1.25 times.

## 18. LOANS AND BORROWINGS (CONTINUED)

### 18.5 Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")

*Security*

As at 31 December 2017, the Sukuk medium term notes are secured over an irrevocable and unconditional guarantee under the principal of Kafalah from the Company, an assignment and charge over MPB designated accounts and a third party assignment and charge over the Company's disposal proceeds account.

*Significant covenant*

MPB is required to maintain an aggregated debt-to-equity ratio of not more than 1:1 and the Group debt-to-equity ratio of not more than 5.5:1.

### 18.6 Sukuk Wakalah issued by Tanjung Bin O&M Berhad ("TBOM")

*Security*

As at 31 December 2017, the Sukuk Wakalah is secured over the Operation and Maintenance Agreement, Sub Operation and Maintenance Agreement and Asset Sales Agreement held by TBOM and all the balances in TBOM's designated accounts.

*Significant covenant*

TBOM is required to maintain a debt-to-equity ratio of not more than 80:20 commencing 24 months after the issue date until the final maturity and a finance service cover ratio of at least 1.25 times.

### 18.7 Senior Sukuk Murabahah issued by Tanjung Bin Energy Issuer Berhad ("TBEI")

*Security*

As at 31 December 2017, the Senior Sukuk Murabahah is secured over Tanjung Bin Energy Sdn. Bhd. ("TBE")'s property, plant and equipment with a carrying amount of RM5,851,065,000 (2016: RM5,951,745,000).

*Significant covenant*

TBEI is required to maintain a debt–to–equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

### 18.8 Senior RM term loan drawdown by TBEI

*Security*

As at 31 December 2017, the Senior RM term loan is secured over TBE's property, plant and equipment as disclosed in Note 18.7.

*Significant covenant*

TBEI is required to maintain a debt-to-equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

# Notes to the Consolidated Financial Statements (continued)

## 18. LOANS AND BORROWINGS (CONTINUED)

### 18.9 Senior USD term loan drawdown by TBEI

*Security*

As at 31 December 2017, the Senior USD term loan is secured over TBE's property, plant and equipment as disclosed in Note 18.7.

*Significant covenant*

TBEI is required to maintain a debt-to-equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

### 18.10 USD term loan drawdown by MIL

*Security*

As at 31 December 2017, the USD term loan is secured over MIL's designated account and its investment in a subsidiary.

*Significant covenant*

During the financial year, MIL refinanced the USD term loan. Following the refinancing, MIL is required to maintain a debt-to-equity ratio of the Guarantor (the Company) of not more than 1:1 (2016: 1.25:1) and a Group debt-to-equity ratio of not more than 5.5:1 (2016: 7:1).

### 18.11 Junior EBL term loan facility drawdown by TBEI

*Significant covenant*

TBEI was required to maintain a debt-to-equity ratio of the Original Sponsor (the Company) of not more than 1.25:1 and a Group debt-to-equity ratio of not more than 7:1. The Junior EBL term loan facility was fully settled during the financial year.

### 18.12 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1 January 2017 RM'000 | Net changes from financing cash flows RM'000 | Foreign exchange movements RM'000 | Others RM'000 | At 31 December 2017 RM'000 |
|---|---|---|---|---|---|
| AUD term loan 1 | 453,320 | – | (10,822) | – | 442,498 |
| AUD term loan 2 | 1,627,599 | (30,356) | (37,704) | – | 1,559,539 |
| RM term loan | 12,081 | (5,136) | – | – | 6,945 |
| Sukuk Ijarah medium term notes | 3,662,891 | – | – | 45,040 | 3,707,931 |
| Sukuk medium term notes | 3,921,702 | – | – | 62,059 | 3,983,761 |
| Sukuk Wakalah | 345,000 | (55,000) | – | – | 290,000 |
| Senior Sukuk Murabahah | 3,290,000 | (85,000) | – | – | 3,205,000 |
| Senior RM term loan | 700,000 | (46,690) | – | – | 653,310 |
| Senior USD term loan | 1,794,400 | (36,025) | (185,678) | – | 1,572,697 |
| USD term loan | 347,216 | 11,250 | (34,666) | – | 323,800 |
| Junior EBL term loan | 1,290,139 | (1,290,139) | – | – | – |
| Subordinated loan notes | 92,500 | – | – | (7,000) | 85,500 |
| | 17,536,848 | (1,537,096) | (268,870) | 100,099 | 15,830,981 |

# Notes to the Consolidated Financial Statements (continued)

## 19. EMPLOYEE BENEFITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Defined benefit obligations | 120,421 | 102,463 | 32,197 | 21,593 |
| Fair value of plan assets | (4,648) | (7,635) | (1,379) | (1,993) |
| Net defined benefit liabilities | 115,773 | 94,828 | 30,818 | 19,600 |

The Company's Staff Retirement Benefits Scheme ("the Scheme") provides pension benefits for eligible employees upon retirement. Five entities within the Group, namely Malakoff Corporation Berhad, Teknik Janakuasa Sdn. Bhd., Malakoff Utilities Sdn. Bhd., Malakoff Engineering Sdn. Bhd. and Malakoff Power Berhad participated in making contributions to the Scheme.

The following table shows the reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

**Movements in defined benefit obligations**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Defined benefit obligations at beginning of the year | 102,463 | 94,399 | 21,593 | 21,931 |
| **Included in profit or loss** | | | | |
| Current service cost | 7,260 | 7,301 | 1,686 | 1,797 |
| Interest cost | 5,219 | 4,943 | 1,080 | 1,146 |
| | 12,479 | 12,244 | 2,766 | 2,943 |
| **Included in other comprehensive (expense)/income** | | | | |
| Actuarial loss arising from: | | | | |
| – Financial assumptions | 10,315 | 2,022 | 2,509 | 385 |
| – Demographic assumptions | (1,823) | – | (525) | – |
| – Experience | 3,626 | – | 4,196 | – |
| | 12,118 | 2,022 | 6,180 | 385 |
| **Others** | | | | |
| Benefits paid directly by the employer | (2,347) | (3,486) | (324) | (1,313) |
| Benefits paid by the plan | (4,292) | (2,716) | (1,190) | (2,353) |
| Intercompany transfer | – | – | 3,172 | – |
| | (6,639) | (6,202) | 1,658 | (3,666) |
| Defined benefit obligations at end of the year | 120,421 | 102,463 | 32,197 | 21,593 |

# Notes to the Consolidated Financial Statements (continued)

## 19. EMPLOYEE BENEFITS (CONTINUED)

**Movements in fair value of plan assets**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Plan assets at beginning of the year | (7,635) | (9,501) | (1,993) | (8,332) |
| **Included in profit or loss** | | | | |
| Interest income | (418) | (549) | (107) | (469) |
| | (418) | (549) | (107) | (469) |
| **Included in other comprehensive (expense)/income** | | | | |
| Return on scheme assets lesser than discount rate | 134 | 814 | (166) | 4,825 |
| | 134 | 814 | (166) | 4,825 |
| **Others** | | | | |
| Benefits paid by the plan | 4,292 | 2,716 | 1,190 | 2,353 |
| Employer contribution | (1,021) | (1,115) | (303) | (370) |
| | 3,271 | 1,601 | 887 | 1,983 |
| Plan assets at end of the year | (4,648) | (7,635) | (1,379) | (1,993) |

# Notes to the Consolidated Financial Statements (continued)

## 19. EMPLOYEE BENEFITS (CONTINUED)

### Movements in net defined benefit liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Net defined benefit liabilities at beginning of the year | 94,828 | 84,898 | 19,600 | 13,599 |
| **Included in profit or loss** | | | | |
| Current service cost | 7,260 | 7,301 | 1,686 | 1,797 |
| Interest cost | 4,801 | 4,394 | 973 | 677 |
| | 12,061 | 11,695 | 2,659 | 2,474 |
| **Included in other comprehensive (expense)/income** | | | | |
| Actuarial loss arising from: | | | | |
| – Demographic assumptions | (1,823) | 2,022 | (525) | 385 |
| – Financial assumptions | 10,315 | – | 2,509 | – |
| – Experience | 3,626 | – | 4,196 | – |
| Return on scheme assets lesser than discount rate | 134 | 814 | (166) | 4,825 |
| | 12,252 | 2,836 | 6,014 | 5,210 |
| **Others** | | | | |
| Benefits paid directly by the employer | (2,347) | (3,486) | (324) | (1,313) |
| Employer contribution | (1,021) | (1,115) | (303) | (370) |
| Intercompany transfer | – | – | 3,172 | – |
| | (3,368) | (4,601) | 2,545 | (1,683) |
| Net defined benefit liabilities at end of the year | 115,773 | 94,828 | 30,818 | 19,600 |

The Group expects to pay RM7,632,000 (2016: RM4,155,000) in contributions to the defined benefit plan in 2018.

### Plan assets

The major categories of plan assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Equity instruments | 2,789 | 4,519 | 827 | 1,180 |
| Malaysian government securities | 995 | 1,496 | 295 | 391 |
| Foreign investments | 177 | 176 | 52 | 46 |
| Derivatives | 14 | – | 4 | – |
| Cash and cash equivalents | 493 | 1,153 | 146 | 301 |
| Others | 180 | 291 | 55 | 75 |
| | 4,648 | 7,635 | 1,379 | 1,993 |

## 19. EMPLOYEE BENEFITS (CONTINUED)

### Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Discount rate | 5.00% | 5.20% | 5.00% | 5.20% |
| Salary inflation | 8.88% | 7.88% | 8.88% | 7.88% |

As at 31 December 2017, the duration of the Scheme is estimated 10 years (2016: 11 years).

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| ***Impact on the aggregate service and interest costs*** | | | | |
| **Discount rate** | | | | |
| One percentage point increase | (220) | (314) | (41) | (97) |
| One percentage point decrease | 204 | 310 | 39 | 103 |
| **Salary inflation** | | | | |
| One percentage point increase | 1,327 | 1,560 | 285 | 394 |
| One percentage point decrease | (1,168) | (1,348) | (252) | (332) |
| ***Impact on the defined benefit obligation*** | | | | |
| **Discount rate** | | | | |
| One percentage point increase | (10,424) | (9,809) | (2,728) | (2,340) |
| One percentage point decrease | 12,006 | 11,524 | 3,111 | 2,961 |
| **Salary inflation** | | | | |
| One percentage point increase | 11,541 | 13,400 | 2,995 | 3,443 |
| One percentage point decrease | (10,248) | (11,544) | (2,685) | (2,786) |

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

# Notes to the Consolidated Financial Statements (continued)

## 20. PROVISION FOR DECOMMISSIONING COST

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| Non-current | 91,831 | 85,625 |

Provision for decommissioning cost is the estimated cost that the Group will have to incur in removing or dismantling the power plants at the end of PPA term.

The provision is based on the valuation report prepared by a professional valuer. The present value is derived by discounting the decommissioning cost over the remaining useful life of the power plant based on the appropriate discount rates.

## 21. DEFERRED INCOME

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| At beginning of the year | 3,333,550 | 3,109,363 |
| Additions | 382,677 | 365,294 |
| Credited to profit or loss | (104,410) | (141,107) |
| At end of the year | 3,611,817 | 3,333,550 |
| Non-current | 3,553,403 | 3,230,403 |
| Current | 58,414 | 103,147 |
| At end of the year | 3,611,817 | 3,333,550 |

## 22. TRADE AND OTHER PAYABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade** | | | | | |
| Trade payables | 22.1 | 831,926 | 501,655 | – | – |
| **Non-trade** | | | | | |
| Other payables | 22.2 | 131,626 | 86,814 | 9,436 | 10,721 |
| Accrued expenses | 22.2 | 548,749 | 413,774 | 20,972 | 5,655 |
| Amounts due to subsidiaries | 22.3 | – | – | 1,892,394 | 1,302,491 |
| | | 680,375 | 500,588 | 1,922,802 | 1,318,867 |
| | | 1,512,301 | 1,002,243 | 1,922,802 | 1,318,867 |

# Notes to the Consolidated Financial Statements (continued)

## 22. TRADE AND OTHER PAYABLES (CONTINUED)

### 22.1 Trade payables

Included in trade payables of the Group are amounts owing to entities that are under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group) as at the reporting period as follows:

| | Gross balance outstanding | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Petroliam Nasional Berhad | 70,982 | 46,917 |
| TNB Fuel Services Sdn. Bhd. | 715,994 | 435,058 |
| Tenaga Nasional Berhad | 9,995 | 9,663 |
| | 796,971 | 491,638 |

### 22.2 Other payables and accrued expenses

As at 31 December 2017, included in accrued expenses of the Group are interest expense payable of RM139,575,000 (2016: RM140,263,000) and provision for CESS fund of RM32,123,000 (2016: RM32,562,000).

### 22.3 Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM771,326,000 (2016: RM771,326,000), which is subject to an interest rate of 7.71% (2016: 7.71%) per annum.

## 23. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Electricity generation and distribution | 6,930,567 | 5,885,222 | – | – |
| Project management fees | 1,625 | 1,686 | 1,625 | 1,686 |
| Rental income from estate | 3,703 | 4,264 | 3,703 | 4,264 |
| Operation and maintenance fees | 13,140 | 36,411 | – | – |
| Finance lease income | 181,405 | 170,837 | – | – |
| Dividends from subsidiaries | – | – | 393,920 | 330,085 |
| Management fees from subsidiaries | – | – | 16,480 | 26,101 |
| | 7,130,440 | 6,098,420 | 415,728 | 362,136 |

# Notes to the Consolidated Financial Statements (continued)

## 24. FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income on financial assets that are not at fair value through profit or loss | 213,290 | 193,828 | 89,335 | 56,186 |
| Recognised in profit or loss | 213,290 | 191,252 | 89,335 | 56,186 |
| Capitalised on qualifying assets as a deduction from the borrowing costs: | | | | |
| – Property, plant and equipment | – | 2,576 | – | – |
| | 213,290 | 193,828 | 89,335 | 56,186 |

## 25. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest expense of financial liabilities that are not at fair value through profit or loss | | | | |
| – Loans and borrowings | 1,026,347 | 1,080,857 | 86,291 | 59,470 |
| Other finance costs | 6,204 | 4,982 | – | – |
| | 1,032,551 | 1,085,839 | 86,291 | 59,470 |
| Recognised in profit or loss | 1,032,551 | 1,012,045 | 86,291 | 59,470 |
| Capitalised on qualifying assets: | | | | |
| – Property, plant and equipment | – | 73,794 | – | – |
| | 1,032,551 | 1,085,839 | 86,291 | 59,470 |

# Notes to the Consolidated Financial Statements (continued)

## 26. INCOME TAX EXPENSE

### Recognised in profit or loss

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| **Current tax expense** | | | | |
| Malaysian – current year | 461,314 | 414,599 | 16,737 | 14,197 |
| Overseas – current year | 1,434 | 7,999 | – | – |
| Under/(Over) provision in prior years | 36,062 | 7,810 | 32,269 | (893) |
| | 498,810 | 430,408 | 49,006 | 13,304 |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | (282,794) | (195,884) | (65) | 1,313 |
| Overseas – current year | 4,331 | – | – | – |
| Over provision in prior years | (8,759) | (3,025) | (902) | (34) |
| | (287,222) | (198,909) | (967) | 1,279 |
| Total income tax expense | 211,588 | 231,499 | 48,039 | 14,583 |
| **Reconciliation of tax expense** | | | | |
| Profit/(Loss) for the year | 376,938 | 406,042 | (336,838) | 248,458 |
| Total income tax expense | 211,588 | 231,499 | 48,039 | 14,583 |
| Profit/(Loss) excluding tax | 588,526 | 637,541 | (288,799) | 263,041 |
| Tax at Malaysian tax rate of 24% | 141,246 | 153,010 | (69,312) | 63,130 |
| Non-taxable income | (16,508) | (17,451) | (94,541) | (79,220) |
| Non-deductible expenses | 76,922 | 94,732 | 180,525 | 31,600 |
| Effect of tax rates in foreign jurisdictions | 4,042 | 974 | – | – |
| Effect of share of results of associates | (21,417) | (4,551) | – | – |
| Under/(Over) provision in prior years | | | | |
| – current tax | 36,062 | 7,810 | 32,269 | (893) |
| – deferred tax | (8,759) | (3,025) | (902) | (34) |
| Total income tax expense | 211,588 | 231,499 | 48,039 | 14,583 |

# Notes to the Consolidated Financial Statements (continued)

## 27. PROFIT/(LOSS) FOR THE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Profit/(Loss) for the year is arrived at after charging:** | | | | |
| Amortisation of intangible assets | 385,772 | 495,364 | – | – |
| Amortisation of prepaid lease payments | 4,621 | 4,569 | – | – |
| Amortisation of transaction costs of hedging instruments | 10,678 | 12,178 | – | – |
| Auditors' remuneration: | | | | |
| Audit fees | | | | |
| – KPMG | 1,794 | 1,975 | 639 | 743 |
| – Other audit firms | 575 | 569 | 300 | 230 |
| Non-audit fees* | | | | |
| – KPMG | 1,521 | 1,322 | 941 | 576 |
| – Other audit firms | 357 | – | 157 | – |
| Contribution and Corporate Social Responsibility activities | 12,000 | 12,000 | – | – |
| Depreciation of property, plant and equipment | 927,224 | 900,833 | 5,783 | 6,391 |
| Impairment loss on investment in a subsidiary | – | – | 447,886 | – |
| Impairment loss on investment in an associate | – | – | 151,863 | – |
| Loss on disposal of property, plant and equipment | – | 162 | – | 162 |
| Personnel expenses (including key management personnel): | | | | |
| Contribution to Employees Provident Fund | 20,764 | 22,087 | 6,934 | 6,915 |
| Expenses related to retirement benefit plans | 12,061 | 11,695 | 2,659 | 2,474 |
| Wages, salaries and others | 142,995 | 152,269 | 40,618 | 40,560 |
| Property, plant and equipment written off | 5,451 | 23,014 | – | – |
| Realised foreign exchange loss | 1,756 | 4,858 | 62 | – |
| Unrealised foreign exchange loss | 10,047 | 10,041 | – | – |
| Zakat expenses | 1,300 | 1,592 | 1,300 | 1,592 |
| **and after crediting:** | | | | |
| Dividends from subsidiaries | – | – | 393,920 | 330,085 |
| Gain arising from change in fair value of derivative financial instruments | 26,024 | 16,962 | – | – |
| Reversal of impairment loss on trade receivables | 4,859 | – | – | – |
| Realised foreign exchange gain | 1,250 | 535 | – | 530 |
| Unrealised foreign exchange gain | 1,193 | 1,362 | – | – |

* The non-audit fees paid/payable to KPMG were mainly related to tax compliance services and other advisory services largerly in respect of potential business undertakings and loan refinancing activities.

# Notes to the Consolidated Financial Statements (continued)

## 28. OTHER COMPREHENSIVE (EXPENSE)/INCOME

| Group | Before tax RM'000 | Tax credit/ (expense) RM'000 | Net of tax RM'000 |
|---|---|---|---|
| **2017** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement of defined benefit liability | (12,252) | 1,440 | (10,812) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Cash flow hedge – Loss arising during the year | (59,721) | (9,644) | (69,365) |
| Share of gain on hedging reserve of equity-accounted associates | 86,371 | – | 86,371 |
| Foreign currency translation differences for foreign operations | | | |
| – Loss arising during the year | (15,331) | – | (15,331) |
| | 11,319 | (9,644) | 1,675 |
| **2016** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement of defined benefit liability | (2,836) | (568) | (3,404) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Cash flow hedge – Gain arising during the year | 12,980 | 2,651 | 15,631 |
| Share of gain on hedging reserve of equity-accounted associates | 54,537 | – | 54,537 |
| Foreign currency translation differences for foreign operations | | | |
| – Gain arising during the year | 3,371 | – | 3,371 |
| | 70,888 | 2,651 | 73,539 |
| **Company** | | | |
| **2017** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement of defined benefit liability | (6,014) | – | (6,014) |
| **2016** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement of defined benefit liability | (5,210) | – | (5,210) |

## 29. EARNINGS PER SHARE

**Basic/Diluted earnings per ordinary share**

The calculation of basic/diluted earnings per ordinary share at 31 December 2017 is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| Group | 2017 | 2016 |
|---|---|---|
| Profit attributable to ordinary shareholders (RM'000) | 309,951 | 355,463 |
| Weighted average number of ordinary shares at 31 December ('000) | 4,999,937 | 5,000,000 |
| Basic/Diluted earnings per ordinary share (sen) | 6.20 | 7.11 |

## 30. DIVIDENDS

Dividends recognised by the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2017** | | | |
| Final 2016 ordinary | 3.50 | 175,000 | 23 May 2017 |
| Interim 2017 ordinary | 2.50 | 125,000 | 6 October 2017 |
| Total amount | | 300,000 | |
| **2016** | | | |
| Final 2015 ordinary | 2.00 | 100,000 | 27 May 2016 |
| Interim 2016 ordinary | 3.50 | 175,000 | 4 October 2016 |
| Total amount | | 275,000 | |

At the forthcoming Annual General Meeting, a final single-tier dividend of 3.70 sen per ordinary share in respect of the financial year ended 31 December 2017 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

## 31. OPERATING SEGMENTS

During the financial year, the Chief Executive Officer ("the chief operating decision maker") has reviewed the operating segments of asset management and the operation & maintenance divisions and is of the view that they are interdependent and form a single strategic business unit. As such, these operating segments results are no longer applicable for the current reporting.

As the Group continues to explore and diversify its assets portfolio, both domestically and internationally, the Management, for the purpose of making informed decisions, monitors and reports the operating results of local and foreign segments under the Group's segmental reporting. Segment operating results, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

### Segment assets

The segment assets consist of property, plant and equipment, intangible assets, prepaid lease payments, investment in a joint venture, finance lease receivable, derivative financial assets, other receivables, deferred tax assets, trade and other receivables, inventories, current tax assets, other investments and cash and cash equivalents of the segment. Investment in associates is excluded from the segment assets. The segment assets are presented in a manner that is consistent with the internal reporting provided to management for the allocation of resource and assessment of segment performance.

### Segment liabilities

The segment liabilities consist of loans and borrowings, employee benefits, deferred income, deferred tax liabilities, derivative financial liabilities, provision for decommissioning costs, trade and other payables and current tax liabilities of the segment. The segment liabilities are presented in a manner that is consistent with the internal reporting provided to management for the allocation of resource and assessment of segment performance.

### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

# Notes to the Consolidated Financial Statements (continued)

## 31. OPERATING SEGMENTS (CONTINUED)

| | Local | | Foreign | | Eliminations[(A)] | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Business segments** | | | | | | | | |
| Revenue from external customers | 6,937,934 | 5,895,219 | 192,506 | 203,201 | – | – | 7,130,440 | 6,098,420 |
| Inter-segment revenue | 1,463,847 | 1,913,470 | 79,253 | 108,332 | (1,543,100) | (2,021,802) | – | – |
| **Total segment revenue** | 8,401,781 | 7,808,689 | 271,759 | 311,533 | (1,543,100) | (2,021,802) | 7,130,440 | 6,098,420 |
| **Profit after tax** | 1,050,947 | 1,140,133 | 101,451 | 185,260 | (775,460) | (919,351) | 376,938 | 406,042 |

| | Local | | Foreign | | Eliminations[(A)] | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Segment assets** | 42,421,553 | 43,534,090 | 4,220,793 | 4,410,895 | (18,295,398) | (19,157,459) | 28,346,948 | 28,787,526 |
| Investment in associates | 1,087,378 | 1,249,641 | 201,630 | 201,630 | 282,041 | 24,739 | 1,571,049 | 1,476,010 |
| | | | | | | | 29,917,997 | 30,263,536 |
| **Segment liabilities** | 30,725,315 | 32,390,459 | 3,478,090 | 3,643,928 | (11,202,069) | (11,902,146) | 23,001,336 | 24,132,241 |
| **Capital expenditure** | 308,790 | 488,993 | – | – | (4,281) | (16,950) | 304,509 | 472,043 |

A. Inter-segment transactions are eliminated on consolidation

## 31. OPERATING SEGMENTS (CONTINUED)

| | Local | | Foreign | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Non-cash expenses items:** | | | | | | |
| Amortisation of intangible assets | (380,528) | (490,110) | (5,244) | (5,254) | (385,772) | (495,364) |
| Amortisation of prepaid lease payments | (4,621) | (4,569) | – | – | (4,621) | (4,569) |
| Amortisation of transaction costs of hedging instruments | (10,678) | (12,178) | – | – | (10,678) | (12,178) |
| Depreciation of property, plant and equipment | (927,224) | (900,833) | – | – | (927,224) | (900,833) |
| Expenses related to retirement benefit plans | (12,061) | (11,695) | – | – | (12,061) | (11,695) |
| Property, plant and equipment written off | (5,451) | (23,014) | – | – | (5,451) | (23,014) |
| | (1,340,563) | (1,442,399) | (5,244) | (5,254) | (1,345,807) | (1,447,653) |

### Geographical information

The local and foreign segments are managed on a worldwide basis, but operate facilities in Malaysia, Indonesia, Middle East and Australia.

Geographic revenue information is based on geographical location of the customers. Geographic non-current assets are based on the geographical location of the assets. The amounts of non–current assets do not include financial instruments (including investments in associates and investment in a joint venture) and deferred tax assets.

| Group | Revenue 2017 RM'000 | Non-current assets 2017 RM'000 | Revenue 2016 RM'000 | Non-current assets 2016 RM'000 |
|---|---|---|---|---|
| **Geographical information** | | | | |
| Malaysia | 6,937,933 | 17,386,194 | 5,895,219 | 18,394,236 |
| Indonesia | 5,882 | – | 18,999 | – |
| Middle East | 5,220 | – | 13,365 | – |
| Australia | 181,405 | – | 170,837 | – |
| | 7,130,440 | 17,386,194 | 6,098,420 | 18,394,236 |

### Major customer

The following is a major customer with revenue equal or more than 10% of the Group's total revenue:

| Group | Revenue 2017 RM'000 | Revenue 2016 RM'000 |
|---|---|---|
| Tenaga Nasional Berhad | 6,794,754 | 5,750,628 |

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS

### 32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a) Loans and receivables (L&R);

b) Financial liabilities measured at amortised cost (FL); and

c) Fair value through profit or loss (FVTPL) – Designated upon initial recognition (DUIR)

| Group | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL– DUIR RM'000 |
|---|---|---|---|
| **2017** | | | |
| **Financial assets** | | | |
| Trade and other receivables* | 2,031,102 | 2,031,102 | – |
| Other investments | 2,641,829 | 2,641,829 | – |
| Cash and cash equivalents | 2,355,529 | 2,355,529 | – |
| Derivative financial assets | 417,283 | – | 417,283 |
| | 7,445,743 | 7,028,460 | 417,283 |
| **Financial liabilities** | | | |
| Loans and borrowings | (15,830,981) | (15,830,981) | – |
| Trade and other payables* | (1,502,068) | (1,502,068) | – |
| Derivative financial liabilities | (135,713) | – | (135,713) |
| | (17,468,762) | (17,333,049) | (135,713) |
| **2016** | | | |
| **Financial assets** | | | |
| Trade and other receivables* | 1,973,633 | 1,973,633 | – |
| Other investments | 1,403,801 | 1,403,801 | – |
| Cash and cash equivalents | 3,006,802 | 3,006,802 | – |
| Derivative financial assets | 670,796 | – | 670,796 |
| | 7,055,032 | 6,384,236 | 670,796 |
| **Financial liabilities** | | | |
| Loans and borrowings | (17,536,848) | (17,536,848) | – |
| Trade and other payables* | (987,029) | (987,029) | – |
| Derivative financial liabilities | (185,092) | – | (185,092) |
| | (18,708,969) | (18,523,877) | (185,092) |

* Excludes non-financial instruments

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.1 Categories of financial instruments (continued)

| Company | Carrying amount RM'000 | L&R/ (FL) RM'000 |
|---|---|---|
| **2017** | | |
| **Financial assets** | | |
| Trade and other receivables | 1,721,859 | 1,721,859 |
| Cash and cash equivalents | 388,809 | 388,809 |
| | 2,110,668 | 2,110,668 |
| **Financial liabilities** | | |
| Trade and other payables* | (1,922,797) | (1,922,797) |
| | (1,922,797) | (1,922,797) |
| **2016** | | |
| **Financial assets** | | |
| Trade and other receivables | 1,201,357 | 1,201,357 |
| Cash and cash equivalents | 320,490 | 320,490 |
| | 1,521,847 | 1,521,847 |
| **Financial liabilities** | | |
| Trade and other payables* | (1,318,860) | (1,318,860) |
| | (1,318,860) | (1,318,860) |

* Excludes non-financial instruments

### 32.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Loans and receivables | 208,789 | 178,250 | 89,273 | 56,717 |
| Financial liabilities measured at amortised cost | (1,032,551) | (1,085,839) | (86,291) | (59,470) |
| Fair value through profit or loss designated upon initial recognition | 26,024 | 16,962 | – | – |
| | (797,738) | (890,627) | 2,982 | (2,753) |

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 32.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given.

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Given their high credit ratings, management does not expect any counterparty to fail to meet their obligations.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade debts due from Tenaga Nasional Berhad ("TNB"), representing approximately 57% (2016: 57%) of the total receivables of the Group. The maximum exposures to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.4 Credit risk (continued)

**Receivables (continued)**

*Exposure to credit risk, credit quality and collateral (continued)*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Domestic | 1,262,293 | 1,193,040 |
| Others | 6,447 | 7,820 |
| | 1,268,740 | 1,200,860 |

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

| | Gross | Impairment | Net |
|---|---|---|---|
| **Group** | **RM'000** | **RM'000** | **RM'000** |
| **2017** | | | |
| Not past due | 1,256,418 | – | 1,256,418 |
| Past due 0 – 30 days | 2,808 | – | 2,808 |
| Past due 31 – 120 days | 3,149 | – | 3,149 |
| Past due more than 120 days | 273,179 | (266,814) | 6,365 |
| | 1,535,554 | (266,814) | 1,268,740 |
| **2016** | | | |
| Not past due | 1,191,780 | – | 1,191,780 |
| Past due 0 – 30 days | 1,789 | – | 1,789 |
| Past due 31 – 120 days | 5,708 | – | 5,708 |
| Past due more than 120 days | 273,256 | (271,673) | 1,583 |
| | 1,472,533 | (271,673) | 1,200,860 |

At the end of the reporting period, trade receivables with carrying amounts of RM12,322,000 (2016: RM9,080,000) were past due but not considered impaired. These trade receivables relate to customers for whom there have not been significant change in credit quality and the amounts are considered recoverable.

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.4 Credit risk (continued)

**Receivables (continued)**

*Impairment losses (continued)*

The movements in the allowance for impairment loss on trade receivables during the financial year were:

| Group | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| At beginning of the year | 271,673 | 271,673 |
| Impairment loss reversed | (4,859) | – |
| At end of the year | 266,814 | 271,673 |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable directly.

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Group and the Company provide unsecured financial guarantees to banks in respect of bid bonds, performance bonds and security deposits for certain subsidiaries' ongoing projects. The Group and the Company monitor the subsidiaries' projects closely.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk for the Group and the Company amounted to RM614,250,000 (2016: RM519,623,000) and RM170,045,000 (2016: RM169,507,000), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. As at the end of the reporting period, there was no indication that the subsidiaries would default on their projects.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**Intercompany advances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Advances are only provided to wholly-owned subsidiaries of the Company.

### 32.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.5 Liquidity risk (continued)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

| Group | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| ***Secured*** | | | | | | | |
| AUD term loan 1 | 442,498 | BBSY*+ margin 1.33 | 463,608 | 14,087 | 449,521 | – | – |
| AUD term loan 2 | 1,559,539 | 5.73 – 7.82 | 1,884,476 | 1,190,623 | 59,879 | 188,786 | 445,188 |
| RM term loan | 6,945 | 6.67 | 7,233 | 5,413 | 1,820 | – | – |
| Sukuk Ijarah medium term notes | 3,707,931 | 4.54 – 5.45 | 5,424,452 | 201,539 | 726,539 | 1,591,184 | 2,905,190 |
| Sukuk medium term notes | 3,983,761 | 4.90 – 6.25 | 5,988,766 | 568,775 | 892,605 | 1,748,347 | 2,779,039 |
| Sukuk Wakalah | 290,000 | 4.80 – 5.60 | 407,885 | 7,626 | 14,966 | 98,633 | 286,660 |
| Senior Sukuk Murabahah | 3,205,000 | 4.76 – 6.20 | 5,274,042 | 246,172 | 247,777 | 720,496 | 4,059,597 |
| Senior RM term loan | 653,310 | 5.58 – 5.80 | 897,625 | 99,838 | 114,048 | 390,340 | 293,399 |
| Senior USD term loan | 1,572,697 | 5.80 | 2,441,483 | 161,252 | 194,766 | 630,534 | 1,454,931 |
| USD term loan | 323,800 | Libor+ margin 1.20 | 342,143 | 23,804 | 23,414 | 294,925 | – |
| | 15,745,481 | | 23,131,713 | 2,519,129 | 2,725,335 | 5,663,245 | 12,224,004 |
| ***Unsecured*** | | | | | | | |
| Subordinated loan notes | 85,500 | 9.00 | 136,763 | 13,945 | 22,133 | 29,650 | 71,035 |
| Trade and other payables | 1,502,068 | – | 1,502,068 | 1,502,068 | – | – | – |
| | 17,333,049 | | 24,770,544 | 4,035,142 | 2,747,468 | 5,692,895 | 12,295,039 |

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.5 Liquidity risk (continued)

*Maturity analysis (continued)*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest) (continued):

| Group | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| ***Financial liabilities*** | | | | | | | |
| ***Secured*** | | | | | | | |
| AUD term loan 1 | 453,320 | BBSY*+ margin 1.33 | 487,646 | 14,204 | 14,204 | 459,238 | – |
| AUD term loan 2 | 1,627,599 | 5.98 – 7.82 | 2,086,549 | 155,985 | 1,219,741 | 189,137 | 521,686 |
| RM term loan | 12,081 | 6.67 | 12,989 | 5,756 | 5,413 | 1,820 | – |
| Sukuk Ijarah medium term notes | 3,662,891 | 4.54 – 5.45 | 5,625,991 | 201,539 | 201,539 | 1,878,647 | 3,344,266 |
| Sukuk medium term notes | 3,921,702 | 4.90 – 6.25 | 8,503,911 | 252,275 | 568,775 | 2,591,465 | 5,091,396 |
| Sukuk Wakalah | 345,000 | 4.25 – 5.60 | 480,141 | 72,379 | 14,924 | 99,897 | 292,941 |
| Senior Sukuk Murabahah | 3,290,000 | 4.65 – 6.20 | 5,548,326 | 274,284 | 246,172 | 749,324 | 4,278,546 |
| Senior RM term loan | 700,000 | 4.90 – 5.80 | 945,833 | 78,077 | 95,060 | 341,624 | 431,072 |
| Senior USD term loan | 1,794,400 | 5.80 | 2,861,385 | 155,395 | 178,722 | 661,163 | 1,866,105 |
| USD term loan | 347,216 | Libor + margin 2.50 | 348,075 | 348,075 | – | – | – |
| | 16,154,209 | | 26,900,846 | 1,557,969 | 2,544,550 | 6,972,315 | 15,826,012 |
| ***Unsecured*** | | | | | | | |
| Junior EBL term loan | 1,290,139 | 4.90 – 5.15 | 1,301,397 | 1,301,397 | – | – | – |
| Subordinated loan notes | 92,500 | 9.00 | 151,945 | 14,710 | 13,968 | 47,416 | 75,851 |
| Trade and other payables | 987,029 | – | 987,029 | 987,029 | – | – | – |
| | 18,523,877 | | 29,341,217 | 3,861,105 | 2,558,518 | 7,019,731 | 15,901,863 |

* Bank Bill Swap Bid Rate ("BBSY")

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.5 Liquidity risk (continued)

*Maturity analysis (continued)*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest) (continued):

| Company | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| ***Financial liabilities*** | | | | |
| ***Unsecured*** | | | | |
| Other payables and accruals | 30,403 | – | 30,403 | 30,403 |
| Amounts due to subsidiaries | 771,326 | 7.71 | 830,795 | 830,795 |
| Amounts due to subsidiaries | 1,121,068 | – | 1,121,068 | 1,121,068 |
| | 1,922,797 | | 1,982,266 | 1,982,266 |
| **2016** | | | | |
| ***Financial liabilities*** | | | | |
| ***Unsecured*** | | | | |
| Other payables and accruals | 16,369 | – | 16,369 | 16,369 |
| Amounts due to subsidiaries | 771,326 | 7.71 | 830,795 | 830,795 |
| Amounts due to subsidiaries | 531,165 | – | 531,165 | 531,165 |
| | 1,318,860 | | 1,378,329 | 1,378,329 |

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

**Currency risk**

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Australian Dollar (AUD), Swiss Franc (CHF), Kuwait Dinar (KWD), Euro (EUR) and US Dollar (USD).

***Exposure to foreign currency risk***

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | AUD RM'000 | CHF RM'000 | KWD RM'000 | EUR RM'000 | USD RM'000 |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Deposits with licensed banks | 26,307 | – | 15,868 | – | 40,726 |
| Trade and other receivables | 112 | – | 4,620 | – | – |
| Loans and borrowings | (2,002,037) | – | – | – | (323,800) |
| Trade and other payables | (589) | (69) | – | – | (1,332) |
| **Net exposure** | (1,976,207) | (69) | 20,488 | – | (284,406) |
| **2016** | | | | | |
| Deposits with licensed banks | 14,515 | – | 4,040 | – | 82,017 |
| Trade and other receivables | 1,998 | – | 11,532 | – | 38,351 |
| Loans and borrowings | (2,080,920) | – | – | – | (347,216) |
| Trade and other payables | (560) | (6,399) | – | (383) | (1,619) |
| **Net exposure** | (2,064,967) | (6,399) | 15,572 | (383) | (228,467) |

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.6 Market risk (continued)

**Currency risk (continued)**

***Currency risk sensitivity analysis***

Foreign currency risk arises from Group entities which have functional currencies other than Ringgit Malaysia. A 10% (2016: 10%) strengthening of the RM against the following currencies would have increased/(decreased) post–tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | **Profit or loss** | |
|---|---|---|
| | **2017** | **2016** |
| **Group** | **RM'000** | **RM'000** |
| AUD | 150,192 | 156,938 |
| CHF | 5 | 486 |
| KWD | (1,557) | (1,183) |
| EUR | – | 29 |
| USD | 21,615 | 17,364 |
| | 170,255 | 173,634 |

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

**Interest rate risk**

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

In managing interest rate risk, the Group maintains a balanced portfolio consisting mainly fixed instruments. All interest rate exposures are monitored and managed proactively by the Group's management.

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.6 Market risk (continued)

**Interest rate risk (continued)**

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amounts at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Fixed rate instruments** | | | | |
| – Financial assets | 4,997,358 | 4,410,603 | 388,809 | 312,354 |
| – Financial liabilities | (14,901,355) | (16,238,777) | – | – |
| **Floating rate instruments** | | | | |
| – Financial liabilities | (929,626) | (1,298,071) | – | – |

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bps") in interest rates at the end of the reporting period would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | **100 bps increases RM'000** | **100 bps decreases RM'000** | **100 bps increases RM'000** | **100 bps decreases RM'000** |
| **2017** | | | | |
| Floating rate instruments | 9,296 | (9,296) | – | – |
| Interest rate swaps | – | – | 86,768 | (85,976) |
| Cross currency swaps | – | – | 124,307 | (144,260) |
| Cash flow sensitivity (net) | 9,296 | (9,296) | 211,075 | (230,236) |
| **2016** | | | | |
| Floating rate instruments | 12,980 | (12,980) | – | – |
| Interest rate swaps | – | – | 106,631 | (101,085) |
| Cross currency swaps | – | – | 115,744 | (115,744) |
| Cash flow sensitivity (net) | 12,980 | (12,980) | 222,375 | (216,829) |

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.7 Hedging activities

**Cash flow hedge**

The Group has entered into various interest rate swaps ("IRS") and cross currency swaps ("CCS") in order to hedge the interest rate risk and foreign exchange risk in relation to the variability in cash flows on the floating rate RM and USD loans namely 75% of Junior Tranche Loan of RM967,604,587, 75% of Senior Tranche Loan of RM525,000,000, 100% of USD Loan of USD400,000,000 and 88% of AUD Loan of AUD517,644,989.

For IRS and CCS entered by a subsidiary in Malaysia, the notional amount of the various swaps starts with RM96,953,206 and thereafter as per schedule for Junior IRS, RM44,273,673 and thereafter as per schedule for Senior IRS and USD33,752,607 and thereafter as per schedule for CCS. The IRS and CCS were entered into for a period of 5 years for Junior IRS, 12 years for Senior IRS and 15 years for CCS.

For IRS entered by a subsidiary in Australia, the Group has IRS with a notional value of AUD464 million. The IRS was entered into for a period of 10 to 17 years.

The following table indicates the periods in which the cash flows associated with the IRS and CCS are expected to occur and affect profit or loss:

| Group | Carrying amount RM'000 | Expected cash flows RM'000 | Under 1 year RM'000 | 1-2 years RM'000 | 2-5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Financial asset** | | | | | | |
| Cross currency swaps | 417,283 | 527,466 | 9,174 | 25,458 | 108,709 | 384,125 |
| **Financial liability** | | | | | | |
| Interest rate swaps | (135,713) | (265,253) | (47,031) | (40,769) | (95,392) | (82,061) |
| **2016** | | | | | | |
| **Financial asset** | | | | | | |
| Cross currency swaps | 670,796 | 65,721 | (11,637) | (1,400) | 23,601 | 55,157 |
| **Financial liability** | | | | | | |
| Interest rate swaps | (185,092) | (312,526) | (55,244) | (48,315) | (109,112) | (99,855) |

During the financial year, a loss of RM69,365,000 (2016: gain of RM15,631,000) was recognised in other comprehensive income.

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.7 Hedging activities (continued)

**Cash flow hedge (continued)**

Ineffectiveness gain amounting to RM26,024,000 (2016: RM16,962,000) was recognised in profit or loss during the financial year in respect of the hedge.

**Sensitivity analysis**

*Fair value sensitivity analysis*

A change of 10% strengthening/weakening of the USD at the end of the reporting period would have increased/ (decreased) equity by the amount shown below:

| | Equity | |
|---|---|---|
| | **10% strengthening of USD RM'000** | **10% weakening of USD RM'000** |
| **2017** | | |
| Cross currency swaps | 179,353 | (179,353) |
| Fair value sensitivity (net) | 179,353 | (179,353) |
| **2016** | | |
| Cross currency swaps | 206,247 | (206,247) |
| Fair value sensitivity (net) | 206,247 | (206,247) |

### 32.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.8 Fair value information (continued)

| 2017 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | fair value RM'000 | amount RM'000 |
| **Non-current** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Derivative financial assets:** | | | | | | | | | | |
| Cross currency swaps | – | 417,283 | – | 417,283 | – | – | – | – | 417,283 | 417,283 |
| Finance lease receivable | – | – | – | – | – | – | 2,208,203 | 2,208,203 | 2,208,203 | 2,208,203 |
| | – | 417,283 | – | 417,283 | – | – | 2,208,203 | 2,208,203 | 2,625,486 | 2,625,486 |
| **Financial liabilities** | | | | | | | | | | |
| **Derivative financial liabilities:** | | | | | | | | | | |
| Interest rate swaps | – | (112,048) | – | (112,048) | – | – | – | – | (112,048) | (112,048) |
| **Loans and borrowings** | | | | | | | | | | |
| Secured: | | | | | | | | | | |
| AUD term loan 1 | – | – | – | – | – | – | (435,945) | (435,945) | (435,945) | (442,498) |
| AUD term loan 2 | – | – | – | – | – | – | (644,747) | (644,747) | (644,747) | (448,151) |
| RM term loan | – | – | – | – | – | – | (1,703) | (1,703) | (1,703) | (1,810) |
| Sukuk Ijarah medium term notes | – | – | – | – | – | (4,078,116) | – | (4,078,116) | (4,078,116) | (3,707,931) |
| Sukuk medium term notes | – | – | – | – | – | (4,462,257) | – | (4,462,257) | (4,462,257) | (3,653,761) |
| Sukuk Wakalah | – | – | – | – | – | (290,934) | – | (290,934) | (290,934) | (290,000) |
| Senior Sukuk Murabahah | – | – | – | – | – | (3,329,981) | – | (3,329,981) | (3,329,981) | (3,145,000) |
| Senior RM term loan | – | – | – | – | – | – | (754,762) | (754,762) | (754,762) | (592,550) |
| Senior USD term loan | – | – | – | – | – | – | (2,152,636) | (2,152,636) | (2,152,636) | (1,505,347) |
| USD term loan | – | – | – | – | – | – | (310,204) | (310,204) | (310,204) | (307,610) |
| Unsecured: | | | | | | | | | | |
| Subordinated loan notes | – | – | – | – | – | – | (112,468) | (112,468) | (112,468) | (85,500) |
| | – | (112,048) | – | (112,048) | – | (12,161,288) | (4,412,465) | (16,573,753) | (16,685,801) | (14,292,206) |

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.8 Fair value information (continued)

| 2016 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | fair value RM'000 | amount RM'000 |
| **Non-current** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| **Derivative financial assets:** | | | | | | | | | | |
| Cross currency swaps | – | 670,796 | – | 670,796 | – | – | – | – | 670,796 | 670,796 |
| Finance lease receivable | – | – | – | – | – | – | 2,264,999 | 2,264,999 | 2,264,999 | 2,264,999 |
| | – | 670,796 | – | 670,796 | – | – | 2,264,999 | 2,264,999 | 2,935,795 | 2,935,795 |
| **Financial liabilities** | | | | | | | | | | |
| **Derivative financial liabilities:** | | | | | | | | | | |
| Interest rate swaps | – | (153,681) | – | (153,681) | – | – | – | – | (153,681) | (153,681) |
| **Loans and borrowings** | | | | | | | | | | |
| Secured: | | | | | | | | | | |
| AUD term loan 1 | – | – | – | – | – | – | (467,524) | (467,524) | (467,524) | (453,320) |
| AUD term loan 2 | – | – | – | – | – | – | (1,685,552) | (1,685,552) | (1,685,552) | (1,597,680) |
| RM term loan | – | – | – | – | – | – | (7,424) | (7,424) | (7,424) | (6,946) |
| Sukuk Ijarah medium term notes | – | – | – | – | – | (4,054,293) | – | (4,054,293) | (4,054,293) | (3,662,891) |
| Sukuk medium term notes | – | – | – | – | – | (4,427,422) | – | (4,427,422) | (4,427,422) | (3,921,702) |
| Sukuk Wakalah | – | – | – | – | – | (287,145) | – | (287,145) | (287,145) | (290,000) |
| Senior Sukuk Murabahah | – | – | – | – | – | (3,295,577) | – | (3,295,577) | (3,295,577) | (3,205,000) |
| Senior RM term loan | – | – | – | – | – | – | (685,322) | (685,322) | (685,322) | (653,310) |
| Senior USD term loan | – | – | – | – | – | – | (1,794,787) | (1,794,787) | (1,794,787) | (1,743,080) |
| Unsecured: | | | | | | | | | | |
| Subordinated loan notes | – | – | – | – | – | – | (111,296) | (111,296) | (111,296) | (92,500) |
| | – | (153,681) | – | (153,681) | – | (12,064,437) | (4,751,905) | (16,816,342) | (16,970,023) | (15,780,110) |

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.8 Fair value information (continued)

**Level 2 fair value**

***Derivatives***

The IRS and CCS instruments entered by a subsidiary in Malaysia are not actively traded therefore market–based prices are not readily available. The fair values of the instruments are calculated based on the present value of future principal and interest cash flows. The spot rates, forward rates and foreign exchange rates used to calculate present value are directly observable from the market.

For IRS entered by a subsidiary in Australia, the fair value of IRS are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account of the credit risk of the certain Group's subsidiaries and counterparties where appropriate.

***Non-derivative financial liabilities***

Fair value of the long term borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

***Transfers between Level 1 and Level 2 fair values***

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as the key unobservable inputs used in the valuation models.

# Notes to the Consolidated Financial Statements (continued)

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### 32.8 Fair value information (continued)

**Financial instruments not carried at fair value**

| Type | Description of valuation technique and inputs used |
|---|---|
| Finance lease receivable | Discounted cash flows using a rate based on current market rate of borrowings of a subsidiary |
| Loans and borrowings | Discounted cash flows using applicable and prevailing rates at the reporting date |

**Valuation process applied by the Group for Level 3 fair value**

The Group has an established control framework with respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

## 33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

### 33.1 The Company debt-to-equity ratio is applied to the following loans and borrowings:

***a) Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")***

***b) Junior EBL term loan for Tanjung Bin Energy Issuer Berhad ("TBEI")***

For Sukuk medium term notes issued by MPB, the Company is required to maintain an aggregated debt-to-equity ratio of not more than 1:1.

In the previous financial year, for the Junior EBL term loan for TBEI, the Company was required to maintain an aggregated debt-to-equity ratio of not more than 1.25:1. The Junior EBL term loan was fully settled during the financial year.

The following shows the debt-to-equity ratios as at the end of the financial years:

| | 2017 | 2016 |
|---|---|---|
| Company debt-to-equity ratio | 0.59:1 | 0.70:1 |

# Notes to the Consolidated Financial Statements (continued)

## 33. CAPITAL MANAGEMENT (CONTINUED)

### 33.1 The Company debt-to-equity ratio is applied to the following loans and borrowings: (continued)

***c) USD term loan for Malakoff International Limited ("MIL")***

***d) AUD term loan 1 for MIL***

For USD term loan and AUD term loan 1, held by MIL, the Company is required to maintain its debt-to-equity ratio of the Company of not more than 1:1.

The following shows the debt-to-equity ratio as at the end of the financial years:

| | **2017** | **2016** |
|---|---|---|
| Company debt-to-equity ratio | 0.58:1 | 0.69:1 |

### 33.2 The Group debt-to-equity ratio is applied to the following loans and borrowings:

***a) Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")***

***b) USD term loan for Malakoff International Limited ("MIL")***

***c) AUD term loan 1 for MIL***

***d) Junior EBL term loan for Tanjung Bin Energy Issuer Berhad ("TBEI")***

For Sukuk medium term notes issued by MPB, USD term loan and AUD term loan 1 held by MIL, the Group is required to maintain its debt-to-equity ratio of not more than 5.5:1.

In the previous financial year, for the Junior EBL term loan for TBEI, the Group was required to maintain its debt-to-equity ratio of not more than 7:1. The Junior EBL term loan was fully settled during the financial year.

The following shows the debt-to-equity ratio as at the end of the financial years:

| | **2017** | **2016** |
|---|---|---|
| Group debt-to-equity ratio | 2.52:1 | 3.00:1 |

Debt covenants in relation to subsidiaries are disclosed in Note 18.

There were no changes in the Group's approach to capital management during the year.

# Notes to the Consolidated Financial Statements (continued)

## 34. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| **Plant and equipment** | | | | |
| Authorised but not contracted for | 374,456 | 559,124 | 2,538 | 6,004 |
| | 374,456 | 559,124 | 2,538 | 6,004 |

## 35. CONTINGENCIES

**Contingent liabilities not considered remote**

**Litigations**

*Proceedings by the Public Prosecutor of Algeria against Almiyah Attilemcania SPA ("AAS")*

On 4 September 2014, a joint venture of the Group, AAS, was charged in the Court of Ghazouet in the district of Tlemcen, Algeria, for an alleged breach of foreign exchange regulations concerning a sum of USD26.9 million. The Group holds an indirect effective interest of 35.7% in AAS via Tlemcen Desalination Investment Company SAS ("TDIC"), an indirect subsidiary of Malakoff International Limited.

In 2009, it was discovered that there was a considerable gap between the value of the delivered equipment received as per the invoices declared to the customs and the value of the milestone payments made by AAS to the supplier cum contractor ("Invoice Gap"). AAS wrote to the supplier cum contractor requesting for clarifications as they are responsible to resolve tax and customs issues. The Invoice Gap however was not resolved by the supplier cum contractor and the Algerian Customs then initiated investigations and thereafter a charge was brought against AAS. It was alleged that AAS has failed to repatriate a sum of USD26.9 million.

The Court had on 24 December 2014 convicted AAS and had subsequently imposed a penalty of DZD3,929,038,151 (approximately RM148.3 million at the exchange rate of RM1: DZD26.5) ("Penalty"). The Group's liability arising from the Penalty, in proportion to the Group's 35.7% effective interest in AAS via TDIC, which may impact the profit of the Group, amounting to DZD1,402,666,620 (approximately RM52.9 million). The Court of Appeal upheld the decision and the Penalty imposed by the Court on 2 March 2016.

# Notes to the Consolidated Financial Statements (continued)

## 35. CONTINGENCIES (CONTINUED)

**Contingent liabilities not considered remote (continued)**

**Litigations (continued)**

*Proceedings by the Public Prosecutor of Algeria against Almiyah Attilemcania SPA ("AAS") (continued)*

Notwithstanding the decision of the Court, AAS has been advised by its solicitor, Maitre Hadjer Becha, an attorney admitted to the Algerian Supreme Court, that the Penalty would not be enforced until the exhaustion of all rights to appeal by AAS in respect of the proceedings.

AAS solicitor had filed an appeal to the Supreme Court on 17 June 2016. AAS had filed grounds of appeal on 9 August 2016 but the Supreme Court has not fixed any hearing date in respect of the appeal.

In the previous financial year, the Group has recognised a provision amounting to RM36.1 million in respect of the foregoing. Notwithstanding this, AAS will continue with the appeal until the exhaustion of all rights.

Save as disclosed above, there has been no significant change in material litigation, including the status of pending material litigation in respect of the Group during the current quarter under review.

## 36. RELATED PARTIES

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

# Notes to the Consolidated Financial Statements (continued)

## 36. RELATED PARTIES (CONTINUED)

### Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 11, 14, 15 and 22.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **i. Associate** | | | | |
| Interest income on unsecured subordinated loan notes | 42,280 | 46,977 | 42,280 | 46,977 |
| **ii. Subsidiaries** | | | | |
| Management fees | – | – | 16,480 | 26,101 |
| Dividends | – | – | 393,920 | 330,085 |
| Interest expense on advances from a subsidiary | – | – | (86,291) | (59,470) |
| **iii. Entities that are under significant influence of the Government of Malaysia (a party that has direct or indirect significant influence on the Group and the Company)** | | | | |
| Tenaga Nasional Berhad | | | | |
| Sales of capacity and energy | 7,039,624 | 5,880,998 | – | – |
| Purchase of electricity bulk supply | (120,466) | (119,112) | – | – |
| Petroliam Nasional Berhad | | | | |
| Purchase of gas | (636,141) | (529,921) | – | – |
| Petronas Dagangan Berhad | | | | |
| Purchase of diesel | – | (933) | – | – |
| TNB Fuel Services Sdn. Bhd. | | | | |
| Purchase of coal | (3,265,416) | (1,927,065) | – | – |
| Purchase of diesel | – | (316) | – | – |
| Financial institutions and other corporations | | | | |
| Interest income | 132,339 | 114,607 | 15,129 | 7,047 |
| Energy Commission | | | | |
| CESS fund contribution | (27,644) | (29,088) | – | – |
| Malaysian Resources Corporation Berhad | | | | |
| Sales of centralised chilled water and electricity | 31,224 | 15,678 | – | – |

# Notes to the Consolidated Financial Statements (continued)

## 36. RELATED PARTIES (CONTINUED)

### Significant related party transactions (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| **iv. Key management personnel** | | | | |
| Directors | | | | |
| – Salary | 1,155 | 1,000 | 1,155 | 1,000 |
| – Fees | 1,193 | 1,165 | 1,193 | 1,165 |
| – Meeting allowances | 512 | 485 | 510 | 484 |
| – Other allowances | 301 | 282 | 301 | 282 |
| – Other remuneration | 870 | 1,433 | 458 | 458 |
| – Estimated monetary value of benefit-in-kind | 103 | 123 | 80 | 104 |
| | 4,134 | 4,488 | 3,697 | 3,493 |

## 37. SIGNIFICANT EVENT DURING THE YEAR

The initial Power Purchase Agreement ("PPA") for Segari Energy Ventures Sdn. Bhd. ("SEV"), a subsidiary of the Company, which expired on 30 June 2017 has been extended for a period of ten (10) years, effective from 1 July 2017 to 30 June 2027 under the new PPA entered with Tenaga Nasional Berhad.

# Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 125 to 227 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

…………………………………………
**Datuk Haji Hasni bin Harun**
Chairman

…………………………………………………….
**Dato' Sri Che Khalib bin Mohamad Noh**
Director

Kuala Lumpur
Date: 8 March 2018

# Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Mohd Nazersham bin Mansor, the officer primarily responsible for the financial management of Malakoff Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 125 to 227 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Nazersham bin Mansor, NRIC: 730416-14-5671, at Kuala Lumpur in the Federal Territory on 8 March 2018.

…………………………………….
**Mohd Nazersham bin Mansor**

Before me:

# Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Malakoff Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 125 to 227.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the *Audit of the Financial Statements* section of this report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

# Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Group**

**Goodwill and amount due from associates**

Refer to Note 2 – Significant accounting policy: Intangible assets and Note 4 and 11 – Intangible Assets and Trade and Other Receivables.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| We focused on goodwill and investments in associates of the Group as the carrying amounts are material and the impairment test is sensitive to a possible change in assumptions.<br><br>There is significant judgement involved in forecasting and discounting of future cash flows, which is the basis of assessment of the recoverability of goodwill and investments in associates. | We performed the following audit procedures, among others:<br>• We evaluated management's cash flow projections and the process by which they were developed. We compared the projections to Board approved business plans and also compared previous projections to actual results to assess the performance of the business and the accuracy of the forecasting;<br>• We obtained confirmation that the key assumptions were subject to oversight from the Directors;<br>• We evaluated and challenged the following key assumptions used in the cash flows:<br>  • Contracted tariff – we agreed the contracted tariff used in the projections to agreed tariff as per the Power Purchase Agreement (PPA);<br>  • Net energy output – we compared the assumption to the forecasted demand prepared by the customer; and<br>  • Discount rate – we used our own specialist to compare the discount rate used to industry practice and external sources.<br>• We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and investments in associates. |

# Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

## KEY AUDIT MATTERS (CONTINUED)

**Company level**
**Valuation of Cost of Investments in Subsidiaries and Associates**

Refer to Note 2 - Significant accounting policy: Investments in Subsidiaries and Investments in Associates and Note 6 and 7 – Investments in Subsidiaries and Investments in Associates.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| At 31 December 2017, the Company has significant investments in subsidiaries and associates amounting to RM7,710,649,000 (2016: RM8,134,741,000) and RM1,073,597,000 (2016: RM1,231,860,000) respectively.<br><br>We identified the potential impairment of the cost of investments in subsidiaries and associates as a key audit matter due to the following factors:<br>– significance of the assets to the Company's statements of financial position; and<br>– impairment assessments prepared by the Company are complex and contain assumptions, particularly profit margin, growth rate and discount rates that are inherently uncertain. | We performed the following audit procedures, among others:<br>• We assessed the significant and highly sensitive assumptions to determine if they are appropriate and supportable by comparing those assumptions with internally derived information and external market data; and<br>• We considered the adequacy of the disclosures of the assumptions applied, which are particularly sensitive, uncertain or require significant judgement, in the assessment of investments in subsidiaries. |

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# Independent Auditors' Report
to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**
(LLP0010081–LCA & AF 0758)
Chartered Accountants

**Foong Mun Kong**
Approval Number: 02613/12/18(J)
Chartered Accountant

Petaling Jaya

Date: 8 March 2018

# List of Properties

The details of lands and buildings owned by us are set out below:

**PROPERTIES OWNED BY OUR GROUP**

| No. | Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure | Description of property/ Existing use | Built-up area/ Land area | Restriction in interest/ encumbrances | Audited Net book value as at 31 December 2017 RM |
|---|---|---|---|---|---|
| 1. | **Malakoff**<br>PN 356979 Lot 12248, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia<br>Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia<br>Leasehold for a period of 99 years, expiring on 30 July 2096 | Industrial land/The land is currently tenanted by Digi Telecommunications Sdn Bhd and is used as a base transceiver station for the operation of Digi Telecommunications Sdn Bhd's cellular telephone network. | 480 sq metre/ 14.5 Ha | The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak. | 4,343,120.67<br>Refer to note (2) |
| 2. | **Malakoff**<br>Refer to note (3)<br>Windsor Estate, Ulu Sepetang 34010 Taiping, Perak Darul Ridzuan, Malaysia<br>Freehold | Refer to note (3)/The lands are currently used for oil palm cultivation. | N/A/ 735.5 Ha | Nil | 21,516,000.00<br>Refer to note (2) |
| 3. | **Malakoff**<br>Parcel no. 2A-8-1, 2A-8-2, 2A-9-1 and 2A-9-2, Plaza Sentral<br>Level 8 and Level 9, Block 2A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (4) | Four office units on the 8th and 9th floor of a commercial building/Level 8 is vacant and Level 9 is tenanted. | 1,228 sq metre | N/A | 2,469,574.80 |
| 4. | **Malakoff**<br>Parcel no. CS/3B/12-3, CS/3B/12-3A, CS/3B/12-5, CS/3B/12-6, CS/3B/12-7, CS/3B/13-3, CS/3B/13-3A, CS/3B/13-5, CS/3B/13-6 and CS/3B/13-7, Plaza Sentral<br>Level 12 and Level 13, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (4) | Ten office units on the 12th and 13th floor of a commercial building/ Currently is tenanted. | 1,986 sq metre | N/A | 2,589,846.64 |
| 5. | **SEV**<br>HSD 29841 PT 6325, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia<br>Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia<br>Leasehold for a period of 99 years, expiring on 12 January 2094 | Industrial land/The land is currently used for the SEV Power Plant, which includes an administration building, a single-storey simulator training building, a single-storey clubhouse, a guard house, a gas turbine building, a steam turbine building, a fuel oil tank farm, a warehouse and a black start diesel generator building. | 26,787 sq metre/148,400 sq metre | The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak. | 4,007,000.00<br>Refer to note (2) |

# List of Properties

| No. | Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure | Description of property/ Existing use | Built-up area/ Land area | Restriction in interest/ encumbrances | Audited Net book value as at 31 December 2017 RM |
|---|---|---|---|---|---|
| | **PROPERTIES OWNED BY OUR GROUP** | | | | |
| 6. | **GB3**<br>HSD 29843 PT 6327, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia<br>Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia<br>Leasehold for a period of 99 years, expiring on 12 January 2094 | Industrial land/The land is currently used for the GB3 Power Plant which includes an administration building, ten units of cooling tower, workshop building and a gas and steam turbine building. | 12,384 sq metre/111,600 sq metre | The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.<br>Lease of part of the land registered in favour of GB3 on 22 June 2001 for a period of 21 years form 21 June 2001 until 21 June 2022. Charge created in favour of Maybank on 1 November 2013.<br>The land had been fully discharged in 2017. | Refer to notes (2) and (5) |
| 7. | **GB3**<br>HSD 29845 PT 6329, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia<br>Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia<br>Leasehold for a period of 99 years, expiring on 12 January 2094 | Industrial land/The land is currently used for the Lumut Power Plant, which includes the PETRONAS gas metering equipment station. It also has the interconnection facilities such as gas pipelines and venting equipment to supply gas to the Lumut Power Plant. | N/A/ 12,100 sq metre | The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.<br>Lease of part of the land registered in favour of GB3 on 22 June 2001 for a period of 21 years form 21 June 2001 until 21 June 2022. Charge created in favour of Maybank on 1 November 2013.<br>The land had been fully discharged in 2017. | Refer to notes (2) and (5) |
| 8. | **GB3**<br>PN 356978 Lot 12247, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia<br>GB3 Sdn Bhd, Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia<br>Leasehold for a period of 99 years, expiring on 30 July 2096 | Industrial land/The land is currently used for storage of diesel tanks and erected with a chemical storage building and a fuel oil pump station used by the GB3 Power Plant. | 1,095 sq metre/ 1.69 Ha | The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.<br>Charge to guarantee principal payment created in favour Maybank IB on 11 September 2007.<br>The land had been fully discharged in 2017. | Refer to notes (2) and (5) |
| 9. | **PD Power**<br>GRN 237771 Lot 13409, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Commercial or industrial land for power plant/The land is currently used for the Port Dickson Power Plant which includes a building to house four units of gas turbine, a fuel oil tank farm, a warehouse and a black start diesel generator. | 5,560 sq metre/ 94,210 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |

# List of Properties

| | | | | | |
|---|---|---|---|---|---|
| **PROPERTIES OWNED BY OUR GROUP** | | | | | |
| **No.** | **Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure** | **Description of property/ Existing use** | **Built-up area/ Land area** | **Restriction in interest/ encumbrances** | **Audited Net book value as at 31 December 2017 RM** |
| 10. | **PD Power**<br>GRN 237773 Lot 13411, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Commercial or industrial land for electrical substation/The land is currently used for TNB switch yard and transmission for interconnection facilities. | N/A/ 5,459 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 11. | **PD Power**<br>GRN 237774 Lot 13412, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for office building/The land is currently used for double-storey administration office building for the Port Dickson Power Plant. | 510 sq metre/ 4,654 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 12. | **PD Power**<br>GRN 237776 Lot 13415, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Commercial or industrial land for gas station/The land is currently used for PETRONAS gas metering equipment station and interconnection facilities. | N/A/ 7,392 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 13. | **PD Power**<br>GRN 237768 Lot 13406, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for residential/Vacant land. | N/A/ 1,684 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 14. | **PD Power**<br>GRN 237769 Lot 13407, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for residential/Vacant land. | N/A/ 6,143 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |

# List of Properties

| No. | Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure | Description of property/ Existing use | Built-up area/ Land area | Restriction in interest/ encumbrances | Audited Net book value as at 31 December 2017 RM |
|---|---|---|---|---|---|
| | **PROPERTIES OWNED BY OUR GROUP** | | | | |
| 15. | **PD Power**<br>GRN 237770 Lot 13408, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Agriculture land/Vacant land and pond. | N/A/ 6.641 Ha | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 16. | **PD Power**<br>GRN 237775 Lot 13414, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for kids playground/The land is currently used for public children playground. | N/A/ 5,345 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 17. | **PD Power**<br>GRN 237777 Lot 13416, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for residential/ The land is currently used for single-storey guard house building for the Port Dickson Power Plant. | 42 sq metre/ 3,225 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (6) |
| 18. | **PD Power**<br>HSD 21135 Lot 484, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for multipurpose hall/The land is currently used for multipurpose public hall. | 760 sq metre/ 0.553 Ha | Nil | Refer to note (6) |
| 19. | **PD Power**<br>HSD 21134 Lot 483, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building land for recreational field/The land is currently used for public football field and multipurpose court. | N/A/ 1.897 Ha | Nil | Refer to note (6) |

# List of Properties

| PROPERTIES OWNED BY OUR GROUP | | | | | |
|---|---|---|---|---|---|
| **No.** | **Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure** | **Description of property/ Existing use** | **Built-up area/ Land area** | **Restriction in interest/ encumbrances** | **Audited Net book value as at 31 December 2017 RM** |
| 20. | **PD Power**<br>23 parcels of land held under GRN 35822 Lot 6976 to GRN 35830 Lot 6984, GRN 35832 Lot 6986 to GRN 35837 Lot 6991 and GRN 35884 Lot 7041 to GRN 35891 Lot 7048, all located at Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>No. 1 to 9, No. 11 to 16, No. 117 to 124, Jalan Tun Sambanthan, Taman NLFCS, Tg. Gemuk, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia<br>Freehold | Building lands for low cost residential/The land is currently erected with 23 units of low cost houses which are currently vacant. | 65 sq metre for each house/ 111 sq metre for each lot | Nil | Nil |
| 21. | **TJSB**<br>Parcel no. CS/3B/13A-3, CS/3B/13A-4, CS/3B/13A-5, CS/3B/13A-6 and CS/3B/13A-7, Plaza Sentral<br>Level 13A, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (7) | Five office units on the 13A[th] floor of a commercial building. | 975 sq metre/ N/A | N/A | 918,613.69 |
| 22. | **M Utilities**<br>Level no. Minus 9M, Building no. 4, Plaza Sentral<br>Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (9) | The underground level of a commercial building/Currently used for centralised chilled water plant system for Plaza Sentral. | 2,507 sq metre/ N/A | N/A | Refer to note (8) |
| 23. | **M Utilities**<br>Level no. 0M, Building no. 4, Plaza Sentral<br>Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (9) | The ground level of a commercial building/Currently used for centralised chilled water plant system for Plaza Sentral and maintenance office. | 970 sq metre/ N/A | N/A | Refer to note (8) |

# List of Properties

| PROPERTIES OWNED BY OUR GROUP | | | | | |
|---|---|---|---|---|---|
| **No.** | **Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure** | **Description of property/ Existing use** | **Built-up area/ Land area** | **Restriction in interest/ encumbrances** | **Audited Net book value as at 31 December 2017 RM** |
| 24. | **M Utilities**<br>Level no. 5.4M and 4.7M, Building no. 4, Plaza Sentral<br>Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (9) | The lower ground level of a commercial building/ Currently used as Malakoff's training centre. | 983 sq metre/ N/A | N/A | Refer to note (8) |
| 25. | **M Utilities**<br>Level Minus 6.5M, Building no. 4, Plaza Sentral<br>Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia<br>Freehold<br>Refer to note (9) | The underground level of a commercial building/ Currently used as the central control room and centralised chilled water plant system plant room. | 2,272 sq metre/ N/A | N/A | Refer to note (8) |
| 26. | **DKSB**<br>HSD 30118 PT 34621, Mukim of Sitiawan, Perak Darul Ridzuan, Malaysia<br>Near Jalan Teluk Rubiah, 32040 Seri Manjung, Perak, Malaysia<br>Leasehold for a period of 99 years, expiring on 17 January 2109 | Building land for residential/ Vacant land. | N/A/ 11,684 sq metre | The land cannot be transferred, charged, leased without the prior approval of the state authority. | Refer to note (10) |
| 27. | **MWF (T Co Pty Ltd) and WMPL as trustee for Wind Macarthur Trust**<br>Volume 11427 Folio 798<br>Lot 1, part 1886 Macarthur-Hawkesdale Road, Macarthur, Victoria, Australia<br>Freehold | The substation land is currently used for the operation and maintenance of the Macarthur Wind Farm. | Approximately 2.25 Ha / 3.37 Ha | N/A | Refer to note (11) |

# List of Properties

| PROPERTIES OWNED BY OUR GROUP | | | | | |
|---|---|---|---|---|---|
| No. | Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure | Description of property/ Existing use | Built-up area/ Land area | Restriction in interest/ encumbrances | Audited Net book value as at 31 December 2017 RM |
| 28. | **TBE**<br>HSD 14674 PTD 2263, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia<br>Leasehold for a period of 60 years, expiring on 17 September 2077 | Industrial land for permanent jetty and any structure related thereto.<br>The land is currently under construction to be used for the jetty of the Tanjung Bin Energy Power Plant. | N/A/ 0.9454 Ha | The land cannot be transferred, charged, leased without the prior approval of the State Authority | |
| 29. | **TBE**<br>HSD 14673 PTD 2264, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia<br>Leasehold for a period of 60 years, expiring on 17 September 2077 | Industrial land for permanent jetty and any structure related thereto.<br>The land is currently under construction to be used for the jetty of the Tanjung Bin Energy Power Plant. | N/A/ 0.3753 Ha | The land cannot be transferred, charged, leased without the prior approval of the State Authority | |

# List of Properties

## PROPERTIES OWNED BY OUR GROUP

***Notes:***

*(1) These industrial lands are occupied by third-parties.*

*(2) Excluding buildings and fixtures on the land.*

*(3) Malakoff is the registered proprietor of 37 parcels of land (**"Windsor Lands"**) which are collectively known as the Windsor Estate. The Windsor Estate is currently tenanted by Tradewinds Plantech Sdn Bhd commencing from 1 February 2018 until 31 January 2019 via a new supplemental letter dated 21 February 2017. Among the 37 parcels of Windsor Lands, the following 34 parcels of the said lands are used as agricultural land for commercial planting – oil palm, which are consistent with the express conditions in their respective issue document of title:*

| No. | Land titles no. |
|---|---|
| i. | GM 297 Lot 4615, GM 7229 Lot 4309, GRN 49012 Lot 5408, GRN 53898 Lot 5538, GRN 53899 Lot 5539, GRN 59198 Lot 2665, GRN 59203 Lot 446, GRN 66379 Lot 4136 and GRN 66619 Lot 2790<br>All lands are located at Mukim of Batu Kurau, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia |
| ii. | GM 445 Lot 315, GM 446 Lot 332, GM 448 Lot 317, GM 451 Lot 316, GM 454 Lot 364, GM 459 Lot 359, GM 460 Lot 361, GM 507 Lot 421, GM 511 Lot 437, GM 512 Lot 440, GM 516 Lot 473, GM 517 Lot 474, GM 518 Lot 475, GM 519 Lot 476, GM 520 Lot 477, GM 521 Lot 480, GM 522 Lot 481, GM 523 Lot 490, GM 549 Lot 629, GRN 45878 Lot 462, GRN 45879 Lot 690, GRN 45880 Lot 691, GRN 60574 Lot 504, GRN 62453 Lot 502 and GRN 65982 Lot 408<br>All lands are located at Mukim of Kamunting, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia |

*Pursuant to a letter dated 18 December 2013 issued by Pejabat Pengarah Tanah dan Galian Negeri Perak to Pejabat Daerah dan Tanah Larut, Matang dan Selama, the remaining three parcels of Windsor Lands are subject to government compulsory acquisition (**"Said Windsor Lands"**). The Said Windsor Lands are currently pending completion of government compulsory acquisition. As such, the express condition of the Said Windsor Lands has yet to be reflected in their respective issue document of title to reflect the existing use of the Said Windsor Lands. Further details of the Said Windsor Lands are as follows:*

| No. | Land titles no. | Description of property/Existing express condition |
|---|---|---|
| i. | GRN 49011 Lot 5407 and GRN 59202 Lot 2825<br>Both lands are located at Mukim of Batu Kurau, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia | Agricultural land for agricultural purposes |
| ii. | GRN 48916 Lot 505, Mukim of Kamunting, District of Larut and Matang, Perak Darul Ridzuan, Malaysia | Agricultural land for commercial planting – rubber |

*(4) Pursuant to the sale and purchase agreements dated 3 December 1999 and 21 June 2005 between Kuala Lumpur Sentral Sdn Bhd and Malakoff, respectively, the parcels identified above are held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.*

*(5) The audited NBV as at 31 December 2017 of the properties under item no. 6 to item no. 8 is RM1,863,000.00. The respective properties were not audited on an individual basis.*

*(6) The audited NBV as at 31 December 2017 of the properties under item no. 9 to item no. 19 is RM12,896,000.00. The respective properties were not audited on an individual basis.*

*(7) Pursuant to the sale and purchase agreement dated 17 December 1996 between Kuala Lumpur Sentral Sdn Bhd and TJSB, the parcel identified above is held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.*

*(8) The audited NBV as at 31 December 2017 of the properties under item no. 22 to item no. 25 is RM1,563,583.67. The respective properties were not audited on an individual basis.*

*(9) Pursuant to the sale and purchase agreement dated 14 April 2005 between Kuala Lumpur Sentral Sdn Bhd and M Utilities, the parcels identified above are held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.*

*(10) The audited NBV of the property under item no. 26 as at 31 December 2017 is RM1.00, as the cost of the land was charged out as part of our project expense.*

*(11) As the Macarthur Wind Farm is arranged under a finance lease arrangement, substantially all the risks and rewards incidental to ownership of the Macarthur Wind Farm are transferred to AGL Hydro, as the operator of the Macarthur Wind Farm. As such, no carrying value is recognised in our financial statements in respect of the properties relating to the Macarthur Wind Farm.*

*None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.*

# List of Properties

The details of material properties leased/tenanted by us are set out below:

| PROPERTIES LEASED/TENANTED BY OUR GROUP | | | | | |
|---|---|---|---|---|---|
| **No.** | **Name of lessor/lessee or landlord/ tenant or grantor/grantee/Lot. no./ Postal address** | **Description of property/ Existing use** | **Built-up area/ Land area** | **Tenure/Date of expiry** | **Rental RM** |
| 1. | **TNB (as lessor)/PPSB (as lessee)**<br>HSD 50349 PT 10, Bandar Prai, District of Seberang Perai Tengah, Pulau Pinang, Malaysia<br>Prai Power Plant, Prai Power Station, Jalan Perusahaan, 13600 Prai, Pulau Pinang, Malaysia | Industrial land for power station/The land is currently used for the Prai Power Plant complex which includes turbine building, demineralisation plant, chemical lab, pump room, chlorination room, guard house, hydrogen cylinder store, H-boiler pump power station, fuel gas station, fuel oil pump house, foam station, programmable logic controller, building and electric fuel gas, inflammable material store, administration building and sheds Land sub lease approximately 2088.706 sq metre to Petroliam Nasional Berhad as per Sub Lease Agreement dated 5 July 2006. | 6,954 sq metre/ 46.168 acres | A lease for a period of 24 years, expiring on 7 November 2024. | Lump sum payment of 16,000,000.00 |
| 2. | **Seaport (as lessor)/TBP (as lessee)**<br>HSD 11438 PTD 1859, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for heavy industries of power station only/The land is currently used for the Tanjung Bin Power Plant complex and other related purpose. | 238,716 sq metre/69.963 Ha | A lease for a period of 45 years, expiring on 31 January 2048. | Refer to note (1) |
| 3. | **Seaport (as lessor)/TBP (as lessee)**<br>HSD 10927 PTD 1773, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Building land for coal ash disposal pond/Vacant land with mudflat area. | N/A/ 156.533 Ha | A lease for a period of 45 years, expiring on 31 January 2048. | Refer to note (1) |
| 4. | **Seaport (as lessor)/TBP (as lessee)**<br>HSD 10924 PTD 1771, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Commercial or industrial land for permanent jetty and any structure related thereto/The land is currently erected with a permanent jetty and the structures related thereto including conveyor belt and coal unloaders. | N/A/ 1.730 Ha | A lease for a period of 45 years, expiring on 31 January 2048. | Refer to note (1) |
| 5. | **Seaport (as lessor)/TBP (as lessee)**<br>HSD 13031 PTD 2098, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for coal ash disposal pond/The land is currently used as ash pond for the Tanjung Bin Power Plant. | N/A/ 91.024 Ha | A lease for a period of 45 years, expiring on 31 January 2048. | Refer to note (1) |

# List of Properties

| PROPERTIES LEASED/TENANTED BY OUR GROUP | | | | | |
|---|---|---|---|---|---|
| **No.** | **Name of lessor/lessee or landlord/ tenant or grantor/grantee/Lot. no./ Postal address** | **Description of property/ Existing use** | **Built-up area/ Land area** | **Tenure/Date of expiry** | **Rental RM** |
| 6. | **Seaport (as lessor)/TBP (as lessee)**<br>HSD 13032 PTD 2099, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for coal ash disposal pond/The land is currently used as ash pond for the Tanjung Bin Power Plant. | N/A/ 0.597 Ha | A lease for a period of 45 years, expiring on 31 January 2048. | Refer to note (1) |
| 7. | **Seaport (as lessor)/TBE (as lessee)**<br>HSD 13028 PTD 2095, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for power station and other related purposes only/The land is currently used for the Tanjung Bin Energy Power Plant. | N/A/ 8.118 Ha | A lease for a period of 45 years, expiring on 31 January 2048.<br>Refer to note (3) | Refer to note (1) plus a nominal value of 10.00 |
| 8. | **Seaport (as lessor)/TBE (as lessee)**<br>HSD 13029 PTD 2096, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for coal yard/The land is currently used for the coal yard of the Tanjung Bin Energy Power Plant. | N/A/ 21.996 Ha | A lease for a period of 45 years, expiring on 31 January 2048.<br>Refer to note (3) | Refer to note (1) plus a nominal value of 10.00 |
| 9. | **SWW (as lessor)/TBE (as lessee)**<br>HSD 13393 PTD 2150, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia<br>Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia | Industrial land for the petrochemical centre and the maritime industry/The land will be used for any other contingency to the Tanjung Bin Energy Power Plant. | N/A/ 0.444 Ha | A lease commencing from 7 March 2012 to the day before the 25th anniversary of the COD of the Tanjung Bin Energy Power Plant.<br>Refer to note (3) | Nil<br>Refer to note (3) |
| 10. | **Lembaga Tabung Haji (as landlord)/ Malakoff (as tenant)**<br>Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level 7 to Level 13, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia<br>Level 7 to Level 13, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia | Seven office units each on the 7th, 8th, 9th, 10th, 11th, 12th and 13th floor of a commercial building/Currently used as office space by Malakoff. | 7,854 sq metre/N/A | A tenancy for a period of three years, expiring on 30 June 2018. | 507,234.00 per month |

# List of Properties

| No. | Name of lessor/lessee or landlord/ tenant or grantor/grantee/Lot. no./ Postal address | Description of property/ Existing use | Built-up area/ Land area | Tenure/Date of expiry | Rental RM |
|---|---|---|---|---|---|
| | | **PROPERTIES LEASED/TENANTED BY OUR GROUP** | | | |
| 11 | **Lembaga Tabung Haji (as landlord)/ M Utilities (as tenant)**<br>Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level Ground, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia<br>Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia | The ground level of a commercial building/Currently used as office space by M Utilities. | 562 sq metre/ N/A | A tenancy for a period of three years, expiring on 30 June 2018. | 37,600 per month Effective from 1 April 2017 |
| 12. | **Multiple landowners/WMPL and Macarthur WFPL (as lessees)**<br>22 parcels of lands relating to the Macarthur Wind Farm<br>1850 Macarthur-Hawkesdale Road, Macarthur, Victoria 3286, Australia<br>Refer to note (4) | Rural land with a lease granted for the operation and maintenance of the wind power equipment and additional ancillary rights of the Macarthur Wind Farm. | N/A/ 13,591 acres | A lease for a period of 25 years, expiring on 31 January 2038. | Refer to note (4) |
| 13. | Prasarana Malaysia Berhad | Block 3B, Level 12 of commercial building currently used as office space by Prasarana. | 10,689 sq ft | Effective date of lease from 1 June 2017 until 31 May 2018. | 70,547.40 |
| | | Block 3B, Level 13 of commercial building currently used as office space by Prasarana. | 10,689 sq ft | Effective date of lease from 16 September 2017 until 15 April 2019. | 68,409.60 |
| 14. | Lantera Permai Sdn Bhd | Block 2A, Level 9 of commercial building currently used as office space by Lantera. | 6,608 sq ft | Effective date of lease from 1 January 2017 until 31 December 2018 | 41,630.40 |

# List of Properties

## PROPERTIES OWNED BY OUR GROUP

***Notes:***

*(1) Pursuant to the lease agreement dated 18 February 2003 and its supplemental agreements dated 1 October 2003 and 19 August 2014, respectively, between Seaport and TBP, the total rental of the lease for all four lots (and a parcel of land held under PTD 1858, which has been transferred to and registered with TNB in 2006 pursuant to the terms of the TBP PPA and is currently erected with a switchyard used for the Tanjung Bin Power Plant) is RM102,050,000.00 and has been paid by TBP in the manner as set out in the said agreements, with the final payment made on 14 March 2005 (i.e. prior to the registration of the lease). A portion of land title no. HSD 11438 PTD 1859 is sub-leased to TBE pursuant to a sub-lease agreement dated 29 February 2012 between TBP and TBE.*

*(2) A presentation for registration of lease in favour of TBE and creation of charge over the lease in favour of TBE's financing parties for Lot PTD 2095 and PTD 2096 have been made to the Johor Land Office on 11 February 2015. The issuance of the new document of titles to TBE have completed on 12 March 2015.*

*(3) Pursuant to the land lease agreement entered into between TBE and SWW dated 6 January 2016, a presentation for registration of lease in favour of TBE and creation of charge over the lease in favour of TBE's financing parties for Lot PTD 2150 have been made to the Johor Land Office on 16 February 2016. The issuance of new document of title to TBE has completed on 16 March 2016. The consideration for the lease of RM1,194,794 has been paid by TBE to SWW.*

*(4) WMPL is the assignee of MWMPL's 50% interest in the unincorporated joint venture which owns the Macarthur Wind Farm. MWMPL and Macarthur WFPL were the original lessees pursuant to the relevant agreement to lease entered into with the respective landowners in respect of each Uebergang Land, Officer Land and Robertson Land (each as defined below, and collectively referred to as the **"Leased Lands"**) **("Lease Agreement")**. As at the Latest Practicable Date, registrable leases have yet to be executed with each of the relevant landowners. However, under the Victorian property law, the agreements to lease give WMPL and Macarthur WFPL an equitable interest in the land subject to the relevant Lease Agreement. WMPL and Macarthur WFPL shall pay the landowners a specified annual rental calculated in accordance to the relevant rental agreements entered into with the respective landowners. Below are the details of Leased Lands:*

| ***No.*** | ***Landowners*** | ***Certificate title no.*** |
|---|---|---|
| *1.* | *John Oswald Uebergang and Debbie Lynne Uebergang (the **"Uebergang Landowners"**)* | *Volume 9344 Folio 311 (**"Uebergang Land"**)*<br><br>*The Uebergang Landowners intend to subdivide the Uebergang Land. WMPL and Macarthur WFPL have given their consent for the Uebergang Landowners to effect the same. Under the Victorian property law the equitable lease granted to WMPL and Macarthur WFPL on the Uebergang Land is protected against any third-party purchasers of the interest of the land.* |
| *2.* | *(i) Brandon Pastoral Company Pty Ltd;*<br>*(ii) Hamish Robert Falkner Officer and Anna Jen Officer; and*<br>*(iii) Hamish Robert Falkner Officer, Janet Officer, Marnie Fraser Officer (being the legal personal representatives of Brian Campbell Officer, deceased),*<br><br>*(collectively known as **"Officer Landowners"**)* | *(i) Volume 8657 Folio 557, Volume 8657 Folio 556 and Volume 8067 Folio 619;*<br>*(ii) Volume 9388 Folio 101, Volume 5950 Folio 962*<br>*(iii) Volume 9715 Folio 216 and Volume 8141 Folio 676 (collectively known as **"Officer Land"**)* |
| *3.* | *(i) Atoz Pty Ltd;*<br>*(ii) Ibenmouth Pty Ltd; and*<br>*(iii) Thomas Chute Robertson,*<br><br>*(collectively known as **"Robertson Landowners"**)* | *(i) Volume 9252 Folio 946, Volume 8941 Folio 283, Volume 8689 Folio 213, Volume 9604 Folio 841 and Volume 7664 Folio 185;*<br>*(ii) Volume 8076 Folio 341; and*<br>*(iii) Volume 8406 Folio 476, Volume 8124 Folio 653, Volume 5313 Folio 585, Volume 8407 Folio 097, Volume 8187 Folio 385, Volume 5820 Folio 903, Volume 8036 Folio 740, and Volume 8036 Folio 741 (collectively known as **"Robertson Land"**)* |

*(5) The rental amount is subject to confidentiality provisions in the respective rental agreements.*

*Save as disclosed above, where an application has been made to change the conditions of the land use, none of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties.*

# List of Properties

## MATERIAL EQUIPMENT

The material plants and equipment used by our operations are set out below:

| Description | Audited NBV as at 31 December 2017 RM '000 |
| --- | --- |
| The building, plant and machinery of the SEV Power Plant | 1,338,265 |
| The building, plant and machinery of the GB3 Power Plant | 580,959 |
| The building, plant and machinery of the Prai Power Plant | 470,395 |
| The building, plant and machinery of the TBP Power Plant | 4,843,350 |
| The building, plant and machinery of the Port Dickson Power Plant | 65,000 |
| The building, plant and machinery of the TBE Power Plant | 5,772,398 |
| **Total** | **13,070,367** |

The Macarthur Wind Farm includes infrastructure, turbines and a substation. As the Macarthur Wind Farm is arranged under a finance lease arrangement, substantially all the risks and rewards incidental to ownership of the Macarthur Wind Farm are transferred to AGL Hydro, as the operator of the Macarthur Wind Farm. As such, no carrying value is recognised in our financial statements in respect of the equipment utilised for the Macarthur Wind Farm.

Save for PD Power, the material equipment of the respective IPPs have been secured under the financing facilities taken up by the respective IPPs for purposes of the relevant construction of power plant. The financing facilities taken up by SEV and GB3 in relation to construction of the SEV and GB3 power plant have been fully repaid.

# Shareholdings Statistics

As at 23 February 2018

## ANALYSIS OF SHAREHOLDINGS

| | |
|---|---|
| Class of Securities | : Ordinary shares |
| Issued and Paid-up Share Capital | : RM500,000,000 with total number of issued shares of 5,000,000,000 ordinary shares |
| Voting Rights | : One vote per ordinary share |
| Number of Shareholders | : 20,004 |

## ANALYSIS OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 95 | 0.48 | 997 | 0.00 |
| 100 – 1,000 | 2,723 | 13.61 | 1,630,099 | 0.03 |
| 1,001 – 10,000 | 10,111 | 50.55 | 54,936,764 | 1.10 |
| 10,001 – 100,000 | 6,130 | 30.64 | 193,585,083 | 3.89 |
| 100,001 to less than 5% of issued shares | 939 | 4.69 | 1,044,949,000 | 20.96 |
| 5% and above of issued shares | 6 | 0.03 | 3,690,529,957 | 74.02 |
| **TOTAL** | **20,004** | **100.00** | **4,985,631,900*** | **100.00** |

** Excluding treasury shares of 14,368,100 shares*

## DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS

### a) Directors' Interest in the Company as per the register of Directors' Shareholdings

| | Direct | | Indirect | |
|---|---|---|---|---|
| **Name** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Datuk Haji Hasni Harun (Chairman) | – | – | – | – |
| Dato' Sri Che Khalib Mohamad Noh | 420,000 | 0.01 | – | – |
| Datuk Ooi Teik Huat | 420,000 | 0.01 | – | – |
| Datuk Idris Abdullah<br>– Shares held through Cimsec Nominees (Tempatan) Sdn Bhd – 307,100<br>– Own account – 85,000 | 392,100 | 0.01 | – | – |
| Datuk Dr. Syed Muhamad Syed Abdul Kadir | 150,000 | negligible | – | – |
| Cindy Tan Ler Chin | – | – | – | – |
| Dato' Wan Kamaruzaman Wan Ahmad | – | – | – | – |
| Kohei Hirao | – | – | – | – |
| Datuk Seri Johan Abdullah | – | – | – | – |
| Datuk Rozimi Remeli | – | – | – | – |
| Zalman Ismail (Alternate director to Dato' Wan Kamaruzaman Wan Ahmad) | – | – | – | – |

### b) Chief Executive Officer (Who is not a Director)

| | Direct | | Indirect | |
|---|---|---|---|---|
| **Name** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Ahmad Fuaad Kenali | – | – | – | – |

# Shareholdings Statistics
As at 23 February 2018

## Substantial Shareholders according to the Register of Substantial Shareholders

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| **No** | **Name** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| 1 | Anglo–Oriental (Annuities) Sdn Bhd ("AOA")(1) | 981,341,460 | 19.69 | – | – |
| 2 | MMC Corporation Berhad ("MMC") | 897,695,630 | 18.01 | 981,341,460(2) | 19.69 |
| 3 | Employees Provident Fund Board(3) | 582,480,133 | 11.68 | – | – |
| 4 | Lembaga Tabung Haji(4) | 509,850,700 | 10.23 | – | – |
| 5 | Kumpulan Wang Persaraan (Diperbadankan)(5) | 412,427,734 | 8.27 | | |
| 6 | Amanah Saham Bumiputera(6) | 309,126,500 | 6.20 | – | – |
| 7 | Seaport Terminal (Johore) Sdn Bhd ("Seaport")(7) | – | – | 1,879,037,090 | 37.70 |
| 8 | Indra Cita Sdn Bhd ("ICSB")(8) | – | – | 1,879,037,090 | 37.70 |
| 9 | Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor(9) | – | – | 1,879,037,090 | 37.70 |

***Notes:***

(1) *Of which 220,046,040 shares held through its own account, 448,384,230 shares held through Bank Muamalat Malaysia Berhad and 312,911,190 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.*

(2) *Deemed interested in 981,341,460 shares held by AOA in Malakoff by virtue of its 100% direct shareholding in AOA.*

(3) *Of which 582,480,133 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd.*

(4) *Of which 500,000,000 shares held through its own account, 2,001,300 shares held through Cartaban Nominees (Tempatan) Sdn. Bhd., 3,966,300 shares held through Citigroup Nominees (Tempatan) Sdn Bhd., 2,774,300 shares held through Maybank Nominees (Tempatan) Sdn. Bhd. (Exempt An for Maybank Islamic Asset Management Sdn. Bhd.) under omnibus account and 1,108,800 shares held through CIMB Islamic Nominees (Tempatan) Sdn. Bhd.*

(5) *Of which 391,262,134 shares held through its own account and 21,165,600 shares held through various Citigroup Nominees (Tempatan) Sdn Bhd CDS accounts.*

(6) *Of which 309,126,500 shares held through Amanahraya Trustees Berhad.*

(7) *Deemed interested by virtue of its direct major shareholdings in MMC.*

(8) *Deemed interested through Seaport.*

(9) *Deemed interested through ICSB*

# Shareholdings Statistics
As at 23 February 2018

## 30 LARGEST SHAREHOLDERS

| No. | Name of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 1 | MMC CORPORATION BERHAD | 897,695,630 | 18.01 |
| 2 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD | 582,480,133 | 11.68 |
| 3 | LEMBAGA TABUNG HAJI | 500,000,000 | 10.03 |
| 4 | BANK MUAMALAT MALAYSIA BERHAD<br>PLEDGED SECURITIES ACCOUNT<br>FOR ANGLO-ORIENTAL (ANNUITIES) SDN BHD | 448,384,230 | 8.99 |
| 5 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 391,262,134 | 7.85 |
| 6 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN)<br>FOR ANGLO-ORIENTAL (ANNUITIES) SDN. BHD. | 312,911,190 | 6.28 |
| 7 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BUMIPUTERA | 309,126,500 | 6.20 |
| 8 | ANGLO-ORIENTAL (ANNUITIES) SDN BHD | 220,046,040 | 4.41 |
| 9 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM WAWASAN 2020 | 98,000,000 | 1.97 |
| 10 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM MALAYSIA | 70,037,900 | 1.40 |
| 11 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR AIA BHD | 65,901,800 | 1.32 |
| 12 | HSBC NOMINEES (ASING) SDN BHD<br>BBH AND CO BOSTON FOR VANGUARD EMERGING<br>MARKETS STOCK INDEX FUND | 37,565,000 | 0.75 |
| 13 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM BUMIPUTERA 2 | 34,500,000 | 0.69 |
| 14 | HSBC NOMINEES (ASING) SDN BHD<br>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 33,972,200 | 0.68 |
| 15 | VALUECAP SDN BHD | 26,500,000 | 0.53 |
| 16 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>PAMB FOR PRULINK EQUITY FUND | 23,780,400 | 0.48 |
| 17 | PERTUBUHAN KESELAMATAN SOSIAL | 21,250,000 | 0.43 |
| 18 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM DIDIK | 20,867,400 | 0.42 |

# Shareholdings Statistics

As at 23 February 2018

## 30 LARGEST SHAREHOLDERS (CONTINUED)

| No. | Name of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 19 | TOKIO MARINE LIFE INSURANCE MALAYSIA BHD<br>AS BENEFICIAL OWNER (PF) | 18,600,000 | 0.37 |
| 20 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND<br>(N14011940100) | 18,500,000 | 0.37 |
| 21 | PERMODALAN NASIONAL BERHAD | 18,473,600 | 0.37 |
| 22 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>YAYASAN HASANAH (AUR-VCAM) | 17,433,100 | 0.35 |
| 23 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK BERHAD (EDP 2) | 16,595,200 | 0.33 |
| 24 | AMANAHRAYA TRUSTEES BERHAD<br>AS 1MALAYSIA | 15,230,300 | 0.31 |
| 25 | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC DIVIDEND FUND | 12,551,600 | 0.25 |
| 26 | SERAIMAS BINA SDN. BHD. | 11,675,400 | 0.23 |
| 27 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>MTRUSTEE BERHAD FOR<br>CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI) | 11,570,600 | 0.23 |
| 28 | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT<br>DIMENSIONS GROUP INC | 10,014,398 | 0.20 |
| 29 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES) | 9,100,500 | 0.18 |
| 30 | AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM GEMILANG FOR AMANAH SAHAM KESIHATAN | 8,000,000 | 0.16 |
| | | **4,262,025,255** | **85.48** |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWELFTH ANNUAL GENERAL MEETING ("**AGM**") OF **MALAKOFF CORPORATION BERHAD** (**"THE COMPANY"**) WILL BE HELD AT THE **MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA** ON **THURSDAY**, **26 APRIL 2018** AT **10.00 A.M.** FOR THE PURPOSE OF CONSIDERING AND, IF THOUGHT FIT, PASSING THE FOLLOWING RESOLUTIONS:

## ORDINARY BUSINESS

1. "**THAT** the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Report and Auditors' Report thereon be and are hereby received."

   ***(Please refer to Explanatory Note 1)***

2. "**THAT** a final single-tier dividend of 3.7 sen per share for the financial year ended 31 December 2017 be and is hereby approved." **Resolution 1**

3. "**THAT** the following Directors who retire in accordance with Article 105 of the Company's Constitution be and are hereby re-elected as the Directors of the Company:-
   (i) Dato' Sri Che Khalib Mohamad Noh **Resolution 2**
   (ii) Madam Tan Ler Chin **Resolution 3**

   ***(Please refer to Explanatory Note 2)***

4. "**THAT** the following Directors who retire in accordance with Article 111 of the Company's Constitution be and are hereby re-elected as the Directors of the Company:-
   (i) Datuk Haji Hasni Harun **Resolution 4**
   (ii) Datuk Seri Johan Abdullah **Resolution 5**
   (iii) Datuk Rozimi Remeli **Resolution 6**

   ***(Please refer to Explanatory Note 2)***

5. "**THAT** the payment of the following Directors' remuneration to the Non-Executive Directors ("**NED**") for the financial year ended 31 December 2017 ("**the Incurred Period**") be and is hereby approved:-
   (i) Directors' remuneration of up to RM1,571,146 to all NEDs; **Resolution 7**
   (ii) Subsidiaries Chairman's allowances and meeting allowances totalling RM56,650 by four subsidiaries of the Company to a NED. **Resolution 8**

   ***(Please refer to Explanatory Note 3)***

# Notice of Annual General Meeting

6. "**THAT** the payment of the following Directors' fees to the NEDs from 1 January 2018 until the next AGM of the Company in 2019 ("**Relevant Period**") and Directors' remuneration (excluding Directors' fees) to the NEDs from the conclusion of the 12th AGM until the next AGM of the Company ("**2nd Relevant Period**") be and are hereby approved:- **Resolution 9**

| | **Fees for the Relevant Period** | | **Meeting allowances/ other remuneration for the 2nd Relevant Period** | |
|---|---|---|---|---|
| **Items** | **Non-Executive Chairman (NEC)/ per month (RM)** | **NED/ per month (RM)** | **NEC/ per meeting (RM)** | **NED/ per meeting (RM)** |
| (i) Board | 30,000 | 7,500 | 2,500 | 2,500 |
| (ii) Board Audit Committee | 4,000 | 2,500 | 2,500 | 2,500 |
| (iii) Board Nomination & Remuneration Committee | 3,000 | 2,000 | 2,000 | 2,000 |
| (iv) Board Risk & Investment Committee | 3,000 | 2,000 | 2,000 | 2,000 |
| (v) Board Procurement Committee | – | – | 3,000 | 2,000 |
| (vi) Annual leave passage & annual supplemental fees | – | – | 25,000 per annum | 25,000 per annum |
| (vii) Estimated benefits-in-kind (Board only) | – | – | up to 3,500 per month (as claimed) | – |

(each of the foregoing payments being exclusive of the others)

***(Please refer to Explanatory Note 3)***

7. "**THAT** Messrs. KPMG PLT, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed as Auditors of the Company until the conclusion of the next AGM, AND THAT the remuneration to be paid to them be fixed by the Board." **Resolution 10**

# Notice of Annual General Meeting

## SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following Ordinary Resolution:-

**Proposed Renewal of Authority for the Company To Purchase Its Own Shares** **Resolution 11**

"**THAT** subject to provisions of the Companies Act 2016 ("**Act**"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all prevailing laws, rules, regulations, orders, guidelines and requirements for the time being in force, approval and authority be and are hereby given to the Directors of the Company ("**Directors**"), to the extent permitted by law, to purchase such number of ordinary shares in the Company ("**Shares**") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that:

(i) the maximum aggregate number of Shares purchased or held by the Company pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company at any point in time;

(ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the amount of the retained profits of the Company at the time of purchase; and

(iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:

  (a) the conclusion of the next AGM of the Company at which time the authority will lapse unless the authority is renewed by a resolution passed at that meeting, either conditionally or subject to conditions;

  (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

  (c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

  whichever occurs first;

**THAT** the Directors be and are hereby authorised to deal with the Shares so purchased, at their discretion, in the following manner:

(i) cancel the Shares so purchased;

(ii) retain the Shares so purchased as treasury shares; or

(iii) retain part of the Shares so purchased as treasury shares and cancel the remainder of the Shares;

**THAT** where such Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:

(i) distribute the Shares as dividends to shareholders, such dividends to be known as "shares dividends";

(ii) resell the Shares or any of the Shares in accordance with the relevant rules of Bursa Securities;

(iii) transfer the Shares or any of the Shares for the purposes of or under an employees' share scheme;

(iv) transfer the Shares or any of the Shares as purchase consideration;

(v) cancel the Shares or any of the Shares; or

(vi) sell, transfer or otherwise use the Shares for such other purposes as the Minister charged with the responsibilities for companies, currently the Minister of Domestic Trade, Co-operatives and Consumerism may by order prescribe;

# Notice of Annual General Meeting

**AND THAT** the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares."

***(Please refer to Explanatory Note 4)***

9. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

**NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** shareholders who are registered in the Record of Depositors at the close of business on 11 May 2018 shall be entitled to the final dividend which will be paid on 1 June 2018.

A depositor shall qualify for dividend entitlement only in respect of:

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 11 May 2018 in respect of ordinary transfers; and

b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

**BY ORDER OF THE BOARD**
**Yeoh Soo Mei (MAICSA 7032259)**
**Sharifah Ashtura Jamalullail Syed Osman (LS0009113)**
Company Secretaries

Kuala Lumpur
28 March 2018

**Notes:**

1. The proxy form, to be valid, must be deposited at the office of Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to attend and vote at his stead. A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
3. In case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. In the case of joint holders, the signature of any one of them will suffice.
5. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportion of its shareholding to be represented by each proxy.
6. Only depositors whose names appear on the Record of Depositors as at 18 April 2018 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on their behalf.
7. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
8. Registration of members/proxies attending the meeting will commence at 8.00 a.m. on the day of the meeting and shall remain open until the conclusion of the AGM or such a time as may be determined by the Chairman of the meeting. Members/proxies are required to produce identification documents for registration.

# Notice of Annual General Meeting

**Explanatory Notes on Ordinary Business:-**

1. **Audited Financial Statements for the financial year ended 31 December 2017**

   This agenda item is meant for discussion only as under the provisions of Section 340(1) of the Act and the Company's Constitution, the audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

2. **Re-election of Directors retiring in accordance with Article 105 and 111**

   The proposed ordinary resolutions 2 & 3 under Agenda 3 and 4, 5 & 6 under Agenda 4 of the 12th AGM are to seek the shareholders' approval on the re-election of the Directors standing for re-election in accordance with the Company's Constitution. The Board, after having received their consent for re-election, recommends the re-election of the following directors for the following reasons:-

   **(i) Dato' Sri Che Khalib Mohamad Noh retires in accordance with Article 105**

   He possesses invaluable knowledge, expertise and vast experience especially in the power business as well as conglomerate business with a diverse business portfolio. He has brought to the Board insights of how the business should be managed and operated within the confines of the regulatory environment in which the Group operates. Dato' Sri Che Khalib is also a member of the Board Nomination and Remuneration Committee ("**BNRC**").

   **(ii) Madam Tan Ler Chin retires in accordance with Article 105**

   She possesses vast experience and in-depth knowledge in the finance and investment aspects of business operations. She is the only woman director on the Board and had brought diversity into the boardroom discussion through her detailed and thorough deliberations at the boardroom as well as giving invaluable guidance to the management. She is a valuable asset to the Board composition and had contributed significantly to the growth of the Company from its beginnings as a public limited company to its current listed stature on the Main Market of Bursa Securities. Madam Tan Ler Chin sits on two committees of the Board namely the Board Procurement Committee ("**BPC**") and the Board Risk and Investment Committee.

   **(iii) Datuk Haji Hasni Harun retires in accordance with Article 111**

   He possesses vast experience in areas of finance, accounting and banking as well as in the public sector gained through his career. The experience gained by him from various senior management positions in both the private and public sectors, had enabled him to provide the necessary leadership to the Board with his insightful and in-depth knowledge of diverse areas. Datuk Haji Hasni is also the Chairman of the BNRC.

   Based on his self-independence assessment, Datuk Haji Hasni had declared his independence as per the criteria prescribed by the Main Market Listing Requirements ("**MMLR**") of Bursa Securities. The BNRC (save for self) had, based on self-declaration of Datuk Haji Hasni that coincides with his behaviour and in the manner in which he conducts himself on the Board, is satisfied that he has complied with the spirit of independence prescribed by the MMLR of Bursa Securities. His re-election will continue to bring independent and objective judgement to the Board deliberations.

   **(iv) Datuk Seri Johan Abdullah retires in accordance with Article 111**

   He has vast experience in corporate finance industry gained through his career and in-depth knowledge in the listing requirements of Bursa Securities. He has provided insightful details to the compliance and governance issues of the Company to the Board and the management. The Board is also able to continue to leverage on his experience on a wide range of areas gained by various senior management positions held by him.

   **(v) Datuk Rozimi Remeli retires in accordance with Article 111**

   Datuk Rozimi possess 32 years of experience and knowledge in power industry, locally and internationally and is backed by in-depth knowledge of the power industry. He has been a good addition to the Board as he has provided insightful and in-depth knowledge on the management and operations of the Group's power plants against the current development of the power industry. Datuk Rozimi also sits on two committees of the Board namely the BPC as the Chairman and a member of the Board Audit Committee.

# Notice of Annual General Meeting

Based on his self-independence assessment, Datuk Rozimi had declared his independence as per the criteria prescribed by the MMLR of Bursa Securities. The BNRC had, based on self-declaration of Datuk Rozimi that coincides with his behaviour and in the manner in which he conducts himself on the Board, is satisfied that he has complied with the spirit of independence prescribed by the MMLR of Bursa Securities. His re-election will continue to bring independent and objective judgement to the Board deliberations.

**3. NEDs' Remuneration**

Pursuant to Section 230(1) of the Act, the listed company is required to table, amongst others, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries for the shareholders' approval at a general meeting.

***Directors' remuneration for the Incurred Period***

The proposed resolution 7 under Agenda 5 is to seek the shareholders' approval on the payment of the following Directors' remuneration to the NEDs in respect of the Incurred Period:-

(i) Directors' fees (including the Board committee fees) payable by the Company to the NEDs who served as Directors for the Incurred Period including former Directors; and

(ii) Directors' meeting allowance of RM12,500 and annual leave passage & annual supplemental fees (if claimed) up to RM25,000 payable by the Company to one NED, Datuk Seri Johan Abdullah, who was appointed after the Eleventh AGM ("**11th AGM**").

The proposed resolution 8 under Agenda 5 is for the payment of the following Director's remuneration by the Company's subsidiaries to a NED, Dato' Sri Che Khalib Mohamad Noh, for his former chairmanship in the said subsidiaries which were not included in the resolution on the payment of Directors' remuneration (excluding Directors' fees) passed at the 11th AGM of the Company:-

(i) Subsidiaries Chairman's allowance of RM56,250 for the month of February 2017 payable by three subsidiaries of the Company; and

(ii) Subsidiaries Chairman's meeting allowance of RM400 for a Board meeting of another subsidiary of the Company held in February 2017.

***Directors' remuneration for the Relevant Periods***

The proposed ordinary resolution 9 under Agenda 6, if passed, will allow the payment of the following Directors' remuneration to the NEDs on a monthly basis and/or as and when incurred within the Relevant Period and 2nd Relevant Period, where applicable, after the NEDs have discharged their responsibilities and rendered their services to the Company:-

- Directors' fees and Board committee fees; and
- Allowances payable by the Company comprising meeting allowances, annual leave passage and/or annual supplemental fees including benefits-in-kind to the Chairman.

The Directors' remuneration set out in resolution 9 is the same as in the previous year. For reference and estimate, the Directors' remuneration including the meeting allowances and other allowances of the NEDs of the Company for the preceding year 2017 has been disclosed in the Corporate Governance Overview Statement on pages 78-101.

**Explanatory Notes on Special Business:-**

**4. Proposed Renewal of Share Buy-Back Authority**

The proposed resolution 11 under Agenda 8, if passed, will empower the Directors to purchase the Company's own shares of up to 10% of its total number of issued shares subject to Section 127 of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities ("**Prevailing Laws**") at the time of the purchase(s).

The proposed share buy-back by the Company may be funded through internally generated funds and/or external borrowings as long as the purchase price is backed by an equivalent amount of retained profits of the Company, subject to compliance of the Prevailing Laws.

Details of the proposed renewal of authority for the Company to purchase its own shares are set out in the Share Buy-Back Statement to Shareholders dated 28 March 2018 which is circulated together with the 2017 Annual Report of the Company.

**5. Abstention from Voting**

The Directors who are shareholders of the Company shall abstain from voting on the resolution in respect of their own re-election at the 12th AGM, and the resolutions concerning remuneration to the NEDs at the 12th AGM.

# Administrative Details

ADMINISTRATIVE DETAILS FOR THE TWELFTH ANNUAL GENERAL MEETING (“**AGM**”) OF MALAKOFF CORPORATION BERHAD (“**MALAKOFF” OR THE “COMPANY**”) TO BE HELD AT THE MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA (“**HOTEL**”) ON **THURSDAY, 26 APRIL 2018** AT **10.00 A.M.**

### PARKING

Parking is available at the parking bays of the Hotel. Parking fee for those attending the AGM will be borne by Malakoff. The attendees of the AGM are advised to validate their entry tickets at the designated counter outside the Ballroom.

### REGISTRATION

- Registration will start at 8.00 a.m. and registration counters will remain open until the conclusion of the AGM or such time as may be determined by the Chairman of the meeting.
- Please read the signage placed around the Hotel to ascertain where you should register for the AGM and join the queue accordingly.
- Please produce your original Identity Card (IC) during the registration for verification and ensure that you collect your IC thereafter. No person will be allowed to register on behalf of another person even with the original IC of that person.
- After the verification and registration, you will be given an identification tag and a food coupon (limited to one per shareholder/proxy present at the AGM regardless of the number of shareholder he/she represents). No lost food coupon or unclaimed food coupon will be replaced by the Company.
- Shareholders or proxies who are not present at the AGM are not entitled to the food coupon. If both the shareholder and his/her appointed proxy(ies) are present at the AGM, only one food coupon will be given to the shareholder or his/her proxy who registers first.
- No person will be allowed to enter the Ballroom without the identification tag.

### F&B

- Light refreshments will be served before the AGM.
- Lunch will not be provided.

### DOOR GIFT

No door gift will be distributed at the AGM.

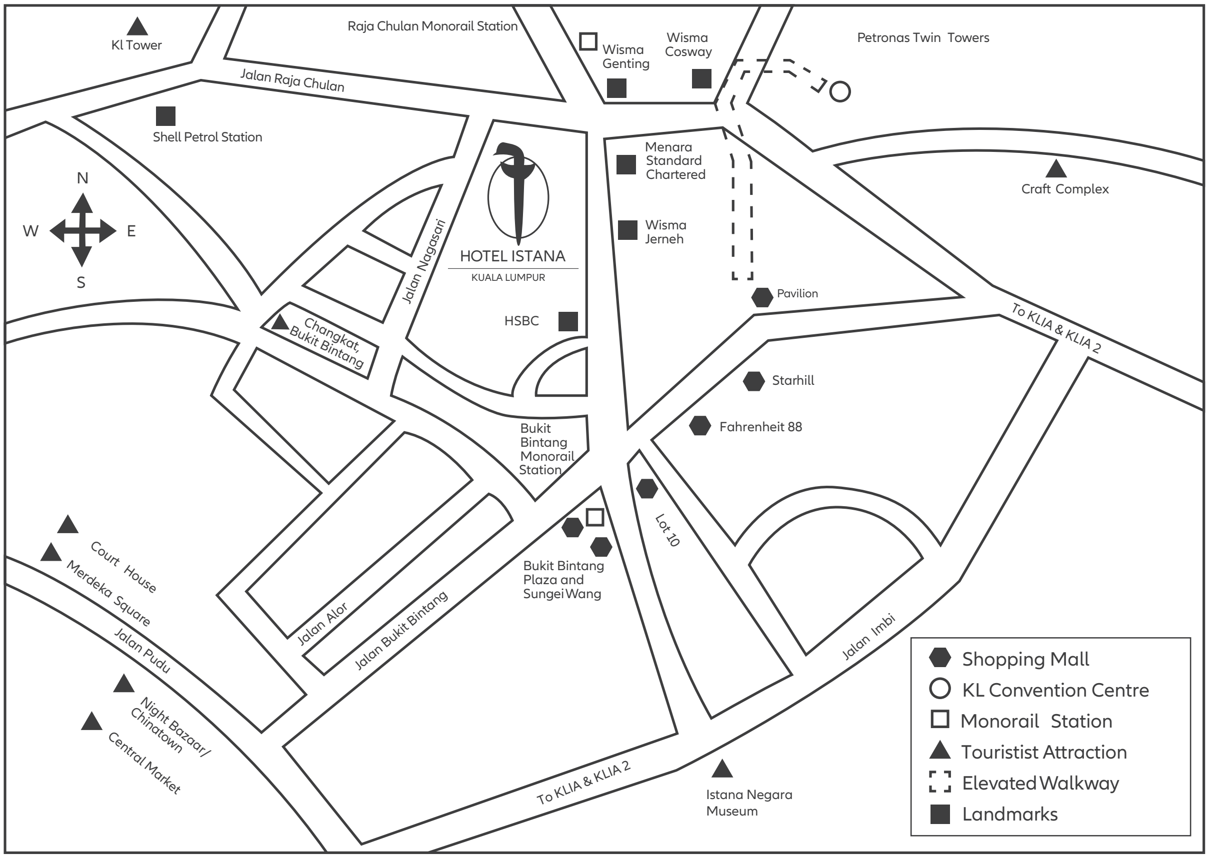
### RECORD OF DEPOSITORS FOR ATTENDANCE AT THE AGM

Only depositors whose names appear in the Record of Depositors as at 18 April 2018 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on their behalf.

### VOTING PROCEDURE

- All resolutions as set out in the Notice of the AGM of the Company will be put to vote by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- The Company’s share registrars/poll administrator, Symphony Share Registrars Sdn Bhd, will assist to conduct the poll by way of electronic voting and the independent scrutineers will verify and validate the results of the poll at the AGM.
- For proxy enquiries, kindly contact Symphony Share Registrars Sdn Bhd at 03-7849 0777.

# Administrative Details




Map of Hotel Istana

| No. of Ordinary Share(s) Held | CDS Account No. |
|---|---|
| | |

# Proxy Form

Malakoff Corporation Berhad (731568-V)

I/We ______________________________________________ NRIC/Passport No: ____________________
(Full name in block letters)

of ______________________________________________ Tel No: ____________________
(Address in full)

being a member/members of Malakoff Corporation Berhad, hereby appoint

| | Name/NRIC no. | No. of Shares | Percentage (%) | |
|---|---|---|---|---|
| Proxy 1 | | | | and/or failing him/her |
| Proxy 2 | | | | and/or failing him/her |

the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Mahkota Ballroom, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Thursday, 26 April 2018 at 10.00 a.m., and at any adjournments thereof, on the following resolutions referred to in notice of the Annual General Meeting:

*(Please indicate with an "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolutions as he/they may think fit).*

| | | | | |
|---|---|---|---|---|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Report and Auditors' Report thereon. | | | |
| | **ORDINARY BUSINESS** | | **FOR** | **AGAINST** |
| 2. | Declaration of final single-tier dividend of 3.7 sen per share | *(Resolution 1)* | | |
| 3. | Re-election of Dato' Sri Che Khalib Mohamad Noh who retires in accordance with Article 105 of the Company's Constitution | *(Resolution 2)* | | |
| 4. | Re-election of Madam Tan Ler Chin who retires in accordance with Article 105 of the Company's Constitution | *(Resolution 3)* | | |
| 5. | Re-election of Datuk Haji Hasni Harun who retires in accordance with Article 111 of the Company's Constitution | *(Resolution 4)* | | |
| 6. | Re-election of Datuk Seri Johan Abdullah who retires in accordance with Article 111 of the Company's Constitution | *(Resolution 5)* | | |
| 7. | Re-election of Datuk Rozimi Remeli who retires in accordance with Article 111 of the Company's Constitution | *(Resolution 6)* | | |
| 8. | Payment of Directors' remuneration of up to RM1,571,146 for the financial year ended 31 December 2017 | *(Resolution 7)* | | |
| 9. | Payment of Subsidiaries Chairman's allowances and meeting allowances totalling RM56,650 for the financial year ended 31 December 2017 | *(Resolution 8)* | | |
| 10. | Payment of Directors' fees for the Relevant Period and Directors' remuneration (excluding Directors' fees) for the 2nd Relevant Period | *(Resolution 9)* | | |
| 11. | Re-appointment of Messrs. KPMG PLT as Auditors of the Company | *(Resolution 10)* | | |
| | **SPECIAL BUSINESS** | | **FOR** | **AGAINST** |
| 12. | Proposed Renewal of Authority for the Company to Purchase Its Own Shares | *(Resolution 11)* | | |

Signed this ____________ day of ____________ 2018

____________________________
Signature of member/Common Seal

**Notes:**

1. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to attend and vote at his stead. A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
3. In case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4. In the case of joint holders, the signature of any one of them will suffice.
5. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportion of its holdings to be represented by each proxy.
6. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
7. Registration of members/proxies attending the meeting will commence at 8.00 a.m. on the day of the meeting and shall remain open until the conclusion of the Annual General Meeting or such a time as may be determined by the Chairman of the meeting. Members/proxies are required to produce identification documents for registration.
8. Only depositors whose names appear on the Record of Depositors as at 18 April 2018 shall be entitled to attend the Annual General Meeting or appoint proxies to attend and/or vote on their behalf.

Please fold here

**Malakoff Corporation Berhad**
Twelfth Annual General Meeting

STAMP

To:

**SYMPHONY SHARE REGISTRARS SDN BHD**
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

Please fold here

**MALAKOFF CORPORATION BERHAD** (731568-V)
Level 7, Block 4, Plaza Sentral, Jalan Stesen Sentral 5,
50470 Kuala Lumpur, Malaysia.
Tel: +603-2263 3388 Fax: +603-2263 3333

**www.malakoff.com.my**