



MMC CORPORATION BERHAD

ANNUAL REPORT 2020



RESILIENCE THROUGH OPERATIONAL EXCELLENCE



RESILIENCE THROUGH OPERATIONAL EXCELLENCE

In an unprecedented pandemic year, MMC Corporation Berhad (“MMC” or “the Group”) has continued to prove its mettle as the nation’s leading infrastructure conglomerate – rising to the many challenges faced to deliver various financial and non-financial values.

The proactive and measured response to the turbulent external operating conditions was driven by the Group’s inherent business strengths. These strengths are the Group’s robust business model, the strategic positioning of its operating companies within key industrial sectors and equally significant, the spirited performance and contribution of its people. MMC’s 15,494-strong workforce have been pivotal in the Group’s success story as their consummate commitment, determination and discipline to excel have been a fundamental part of MMC’s continued growth and progress in FY2020.

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This report is also available for download from our corporate website at <https://mmc.com.my/annualreport.html>

ABOUT THIS REPORT

Our Integrated Reporting Journey

As a leading utilities and infrastructure conglomerate, MMC Corporation Berhad (“MMC” or “the Group”) is driven by our passion to build a better world for all. Hence, in essence, our approach to value creation is centred on nation building. MMC through its business model and the expertise, capabilities and resources of its business divisions and operating companies play a fundamental role in supporting the Government’s agenda of creating socio-economic prosperity, which is realised through sustainable infrastructure development.

MMC’s adoption of the Integrated Reporting (“<IR>”) framework, now in its second year, is to showcase the Group’s fullest value creation and capabilities to its fullest potential, and its continued ability to remain relevant, resilient and competitive over the short-, medium- and long-term perspectives.

In essence, the progressive adoption of the <IR> framework as set out by the International Integrated Reporting Council (“IIRC”) goes towards showcasing the Group’s performance beyond financial values and past performance. <IR> enables MMC to present to its stakeholders a comprehensive and strategic view of the Group, which includes its business model, its risks and opportunities, its business strengths and strategies going forward.

Our adoption of <IR> is also consistent with Bursa Malaysia’s call for large Corporates to embark on <IR>. In our second year, we have further strengthened disclosures in accordance to the IIRC principle based framework.

Reporting Scope And Boundary

Unless otherwise indicated, content for this report reflects data and activities of the Group from 1 January to 31 December 2020 (“FY2020”). In selecting relevant content for the FY2020 report, MMC has adopted the following materiality criteria for its inaugural integrated annual report (“IAR”).

- Information that is pertinent to the Group’s resources (capitals)
- Information that is pertinent to the Group’s business model
- Information that is pertinent to outputs and outcomes created (financial and non-financial values)
- Information that may impact future performance
- Information that may have significant impact on MMC’s ability to create value across the short-, medium- and long-term horizons

In determining the Group’s material matters, we are guided by the six capitals outlined in IIRC’s value creation model, as shown below.

FINANCIAL CAPITAL: Comprises of our equity, assets, and operating revenue generated and deployed in our value creation.

MANUFACTURED CAPITAL: Refers to our ports’ throughput, the energy/water processed and produced, and infrastructure built.

INTELLECTUAL CAPITAL: Our 100 over years of business experience, industry knowledge and technical know-how, brand reputation and business strategies.

HUMAN CAPITAL: Refers to our employees, consisting of competent professionals with various skill sets to perform the critical functions of our diverse business operations.

SOCIAL CAPITAL: Refers to the relationships we have built with our strategic partners, authorities, supply chain, investors and the community.

NATURAL CAPITAL: Consists of energy and water consumption, our landbank, raw materials used in construction and our day-to-day operations.

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

For more information on our Capitals, please turn to page 56.

Frameworks Applied

This report has been prepared in line with the following:

- IIRC’s Principle Based Framework for <IR>
- The Companies Act 2016
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- Malaysian Code on Corporate Governance 2017
- Bursa Malaysia Sustainability Reporting Guide – Second Edition
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards

Forward-Looking Statements

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

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

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

Online Version And Related Information

A digital version of this report and past reports are available for download from our corporate website at: www.mmc.com.my. Additional disclosures about MMC’s quarterly financial results, corporate announcements, policies and MMC’s robust governance structure can also be found on our website.

Feedback

Feedback, clarifications on matter reported as well as enquiries pertaining to this report can be channelled to:

Investor Relations

Tel : +603 2071 1000

Fax : +603 2026 1921

Email : investor@mmc.com.my

CORPORATE OVERVIEW



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

Our Vision

To be a Premier Utilities and Infrastructure Group

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

Our Mission

Excellence in our Core Business Segments

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

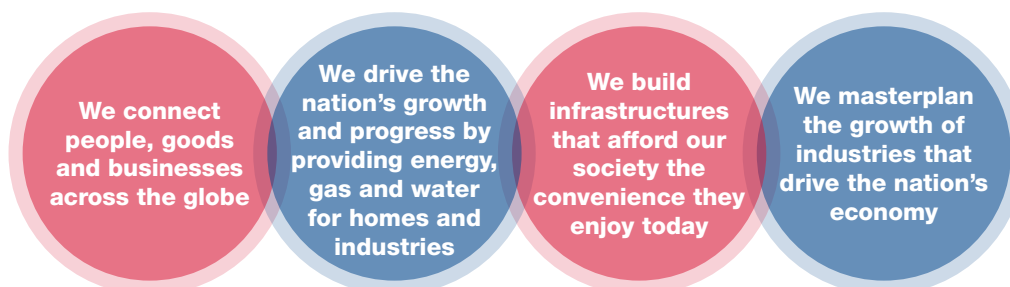
We serve our stakeholders with a steadfast commitment to excellence

Our Core Values

Integrity **I**nnovation **T**eamwork **E**xcellence **C**ommitment

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

The Value We Create



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

ABOUT US

Our multi-disciplinary expertise as a utilities and infrastructure provider are divided into four core business divisions:

Ports and Logistics



We are one of the 10 largest port operators in the world with a total container handling capacity across all ports in Malaysia of 21.5 million TEUs

Port Operations in Malaysia

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

Port Operations in Saudi Arabia

Red Sea Gateway Terminal Company Limited operates a container port terminal within the Jeddah Islamic Port.

Logistics Operator

Kontena Nasional Berhad is one of the largest integrated logistics companies in Malaysia.

Energy and Utilities



We are a total energy solutions provider

Power Generation and Water Desalination

Through Malakoff Corporation Berhad ("Malakoff"), we are the largest Independent Power Producer in Malaysia with a total effective power generation capacity of 5,822MW. Malakoff's international assets include power and water ventures in Saudi Arabia, Bahrain and Oman, with an effective power generation capacity of 588MW and 472,975 m³/day of water desalination.

Natural Gas Distribution

Through Gas Malaysia Berhad, we supply reticulated natural gas in Peninsular Malaysia. We also operate and maintain 2,600 kilometres of Natural Gas Distribution System network.

Water Solutions Provider

Through Aliran Ihsan Resources Berhad, we are a pioneer in wastewater recycling technology and a water treatment specialist.

Environment Management

Through Malakoff's subsidiary, Alam Flora Sdn Bhd, we are one of the leading environmental management companies in Malaysia specialising in managing and reducing waste with minimal environmental impact.

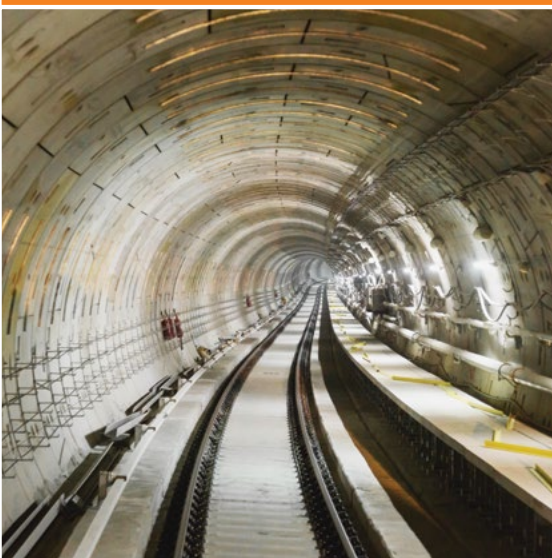


ABOUT US

Engineering



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



Current Projects

- Turnkey Contractor for the entire Klang Valley Mass Rapid Transit ("KVMRT") Putrajaya Line
- Main contractor for the Langat Centralised Sewerage Treatment Plant
- Construction of Langat 2 Water Treatment Plant Phase 1
- Construction of Sungai Pulai Bridge
- Engineering, Procurement, Construction and Commissioning of PGU-1 Gas Pipeline replacement project ("GRAPHITE Project")
- Development of new container yard for Johor Port Berhad
- Design and Build contractor for the Senai International Airport arrival hall expansion and new passenger holding lounge
- Construction of three warehouses for Northport (Malaysia) Bhd
- Construction of Detention Pond No. 12 and infrastructure works for Senai Airport City
- Design and Build contractor for the 50-metre jetty extension at Tanjung Bruas Port

Prior Projects

- Implementation of the elevated section, main contractor for the underground work package of the KVMRT Kajang Line
- 329-kilometre Ipoh-Padang Besar Electrified Double Tracking Project
- Construction of Stormwater Management and Road Tunnel ("SMART") motorway
- Design and Build contractor for the 700-metre berth at N1 to N4 - North Butterworth Container Terminal for Penang Port

Industrial Development



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



Senai Airport City

A master planned 2,718-acre integrated industrial development comprising of Free Industrial Zone and Free Commercial Zone, hi-tech manufacturing and mixed development areas targeting various industrial segments strategically located within a mature industrial ecosystem of Senai, Johor.

Tanjung Bin Industrial Park

A master planned 2,255-acre industrial development catering for medium and heavy industries, strategically located opposite to Port of Tanjung Pelepas, Johor.

Northern Technocity

A master planned 354-acre industrial development within Kulim Hi-Tech Park, Kedah catering to high technology industrial segments with seamless connectivity to port and airport in Penang.

Other Business



Airport Operator

Senai Airport Terminal Services Sdn Bhd is the operator of Senai International Airport in Johor and Kertih Airport in Terengganu.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK SERI TAJUDDIN ATAN*Independent Non-Executive Chairman***DATO' SRI CHE KHALIB MOHAMAD NOH***Group Managing Director***DATUK OOI TEIK HUAT***Senior Independent Non-Executive Director***DATO' ABDUL HAMID SH MOHAMED***Independent Non-Executive Director***DATO' SITI HALIMAH ISMAIL***Independent Non-Executive Director***SYED NAQIZ SHAHABUDDIN SYED ABDUL JABBAR***Independent Non-Executive Director***DATO' IR. JAMALUDIN OSMAN***Non-Independent Non-Executive Director***SHARIFAH SOFIA SYED MOKHTAR SHAH***Non-Independent Non-Executive Director*

COMPANY SECRETARIES

Sazlin Ayesha Abdul Samat

LS0008112

Practicing Certificate No : 201908000994

Sharifah Ashtura Jamalullail Syed Osman

LS0009113

Practicing Certificate No : 201908001128

REGISTERED OFFICE

Ground Floor

Wisma Budiman

Persiaran Raja Chulan

50200 Kuala Lumpur

Malaysia

Tel : (+603) 2071 1000

Fax : (+603) 2026 2378

Email : cosec@mmc.com.my

FORM OF LEGAL ENTITY

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

AUDITORS

Messrs. PricewaterhouseCoopers PLT

(LLP0014401-LCA & AF 1146)

Chartered Accountants

Level 10, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

P.O. Box 10192

50706 Kuala Lumpur

Malaysia

Tel : (+603) 2173 1188

Fax : (+603) 2173 1288

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim

Seksyen 13, 46200 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel : (+603) 7890 4700 (Helpdesk)

Fax : (+603) 7890 4670

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn Bhd

10th Floor, Exchange Square

Bukit Kewangan

50200 Kuala Lumpur

Malaysia

Tel : (+603) 2034 7751

Fax : (+603) 2026 3712

PRINCIPAL BANKER

RHB Islamic Bank Berhad

STOCK EXCHANGE LISTING

Main Market

Bursa Malaysia Securities Berhad

Stock Code : 2194

Stock Name : MMCCORP

INVESTOR RELATIONS

Asyraf Suhaimi Sulaiman

Mohamad Izzat Serpudin

investor@mmc.com.my

WEBSITE

www.mmc.com.my

AWARDS AND ACHIEVEMENTS



1. 28 FEBRUARY 2020

NORTHPORT (MALAYSIA) BHD
National Occupational Safety and Health Award 2019

2. 8 JULY 2020

ALAM FLORA SDN BHD
Frost & Sullivan Best Practices Awards

- Waste Management Company of the Year (Asia Pacific)

3. 25 SEPTEMBER 2020

MALAKOFF CORPORATION BERHAD
Alpha Southeast Asia's 10th Annual Institutional Investor Corporate Awards 2020

- Most Improved Investor Relations #1
- Best Strategic Corporate Social Responsibility #1
- Most Organised Investor Relations #2
- Best Senior Management IR Support #2

4. 29 SEPTEMBER 2020

ALAM FLORA SDN BHD
Global Business Leadership Awards 2020

- Excellence in Waste Management

5. 29 SEPTEMBER 2020

ALAM FLORA ENVIRONMENTAL SOLUTIONS SDN BHD
Global Business Leadership Awards 2020

- Excellence in Facilities Management

6. 30 SEPTEMBER 2020

MALAKOFF CORPORATION BERHAD
Regional Innovation Showcase on Team Excellence (RISTEx) 2020

- Lumut Power Plant Inventory Value Optimisation (Gold Award)
- Tanjung Bin Power Plant Minor Outage Cost Optimisation (Gold Award)

7. 12 NOVEMBER 2020

ALAM FLORA SDN BHD
Department of Irrigation and Drainage (DID) Malaysia and Global Environment Centre

- River of Life Public Outreach Programme Award (Category Industry, Corporate and Developers)

8. 30 NOVEMBER 2020

GAS MALAYSIA BERHAD
The Edge Billion Ringgit Club Corporate Awards 2020

- Highest Return on Equity over Three Years (Utilities Sector)

9. 23 DECEMBER 2020

NORTHPORT (MALAYSIA) BHD
ISO 37001:2016 Anti-Bribery Management System (ABMS) Certification

WHERE WE OPERATE

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

OUR INTERNATIONAL PRESENCE

- Red Sea Gateway Terminal
- Al Hidd IWPP
- Al Ghubrah IWP
- Shuaibah Phase 3 Expansion IWP
- Shuaibah Phase 3 IWPP

KUALA LUMPUR

- MMC Corporation Berhad
- Malakoff Corporation Berhad
- Aliran Ihsan Resources Berhad
- MMC Engineering Sdn Bhd
- MMC Oil & Gas Engineering Sdn Bhd
- MMC-Gamuda
- Alam Flora
- SMART Tunnel
- Kuala Lumpur (Branch Office)

SELANGOR

- Northport (Malaysia) Bhd
- Northport (Non-Revenue Water Programme)
- Kontena Nasional Berhad
- Kontena Nasional Berhad (Branch Office)
- Kapar Power Plant
- Gas Malaysia Berhad
- MMC Pembetungan Langat Sdn Bhd
- Alam Flora Sdn Bhd
- Shah Alam (Branch Office)
- Klang
- Sunway South Quay Water Treatment Plant
- Langat Centralised Sewage Treatment Plant
- Langat 2 Water Treatment Plant
- Klang Valley Mass Rapid Transit Kajang Line
- Klang Valley Mass Rapid Transit Putrajaya Line

PUTRAJAYA

- Alam Flora
- Putrajaya (Branch Office)

JOHOR

- Pelabuhan Tanjung Pelepas Sdn Bhd
- Johor Port Berhad
- Senai International Airport
- Johor Port (Non-Revenue Water Programme)
- Tanjung Bin Power Plant
- Tanjung Bin Energy Power Plant
- Tanjung Bin Industrial Park
- Senai Airport City
- Kluang (Branch Office)
- Pasir Gudang (Regional Office)
- Pasir Gudang
- Senai
- Sungai Pulai Bridge
- Kontena Nasional Berhad (Branch Office)

PULAU PINANG

- Penang Port Sdn Bhd
- Swettenham Pier Cruise Terminal
- North Butterworth Container Terminal
- Pangkalan Raja Tun Uda Ferry Terminal
- Pangkalan Sultan Abdul Halim Ferry Terminal
- Butterworth Wharves
- Vegetable Oil Tanker Pier
- Prai Wharves
- Prai Bulk Cargo Terminal
- Prai Power Plant
- Prai (Regional Office)

- Penang Port (Non-Revenue Water Programme)
- Kontena Nasional Berhad (Branch Office)

PERAK

- GB3 Power Plant
- SEV Power Plant
- Ipoh (Branch Office)
- Seri Manjung (Branch Office)
- Taiping Water Treatment Plant
- Gunong Semanggol Water Treatment Plant

PAHANG

- Gebeng (Regional Office)
- Alam Flora
- Kontena Nasional Berhad (Branch Office)

NEGERI SEMBILAN

- Senawang (Branch Office)
- Senawang

MELAKA

- Tanjung Bruas Port Sdn Bhd
- Ayer Keroh (Branch Office)

TERENGGANU

- Kertih Airport
- Kemaman (GRAPHITE Project)

KEDAH

- Northern Technocity

LEGEND

CORPORATE OFFICE/HQ



PORTS AND LOGISTICS



ENERGY AND UTILITIES



GAS MALAYSIA



ALAM FLORA



MALAKOFF



AIR BERHAD

ENGINEERING



INDUSTRIAL DEVELOPMENT

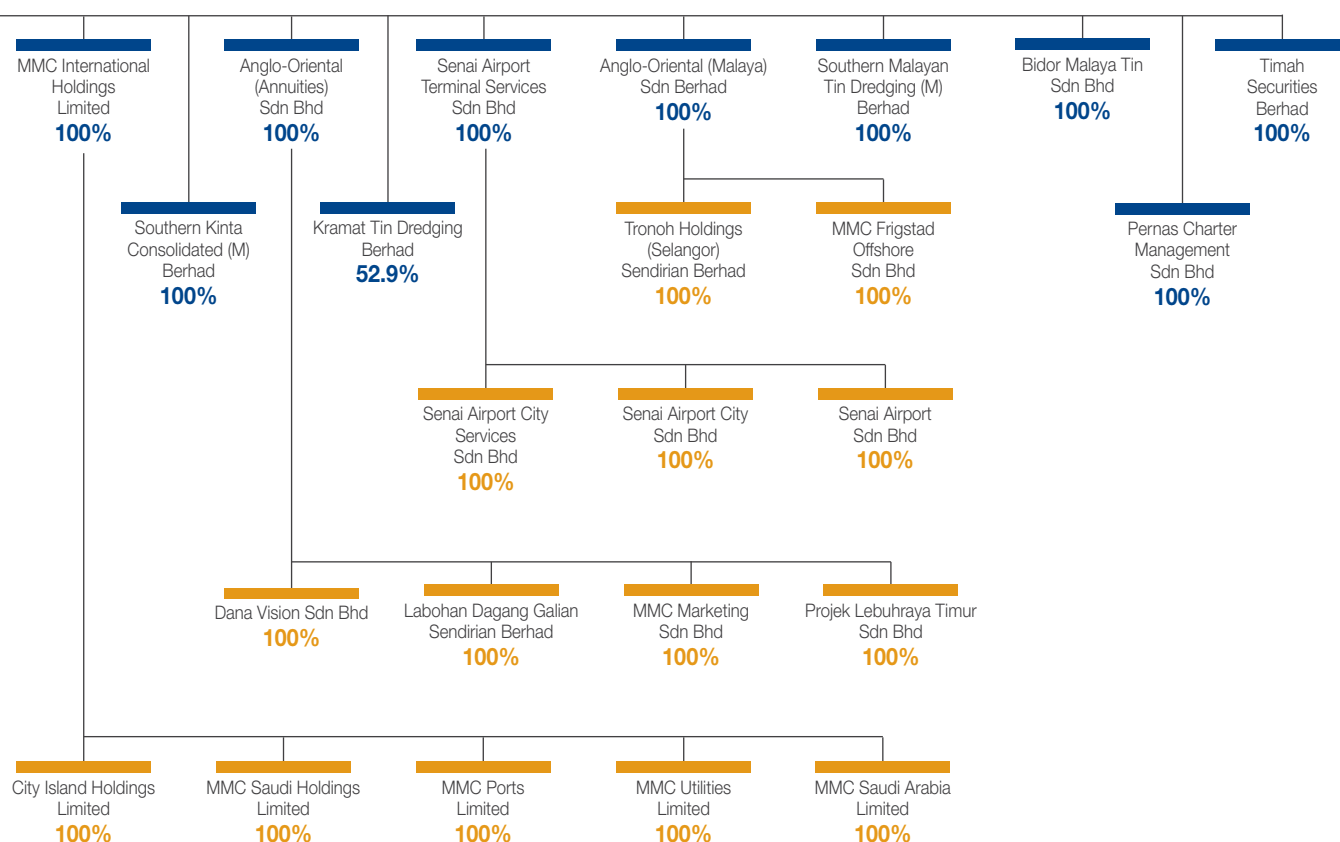


WHERE WE OPERATE



as at 1 April 2021

ATION BERHAD



JOINT VENTURES

- KTMB MMC Cargo Sdn Bhd **49%**
- MMC-Gamuda Joint Venture Sdn Bhd **50%**
- MMC Gamuda KVMRT (PDP) Sdn Bhd **50%**
- MMC Gamuda KVMRT (T) Sdn Bhd **50%**
- MMC Gamuda KVMRT (PDP SSP) Sdn Bhd **50%**
- Projek Smart Holdings Sdn Bhd **50%**
 - Syarikat Mengurus Air Banjar & Terowong Sdn Bhd **50%**
- UEM MMC Joint Venture Sdn Bhd **50%**
- Saloon MMCB AZSB JV Sdn Bhd **34%**
- Saloon MMCES AZSB JV Sdn Bhd **50%**
- Cranetech Global Sdn Bhd **50%**
- Red Sea Housing Malaysia Sdn Bhd **51%**

ASSOCIATES

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

Under Liquidation

- Southern Water Technology Sdn Bhd (Under Creditors' Winding Up)
- Anglo-Oriental Malaya Trustees Sdn Bhd (Under Members' Voluntary Liquidation)
- MMC Exploration & Production (Thailand) Pte Ltd (Under Liquidation)

* excluding treasury shares

BOARD OF DIRECTORS' PROFILE



DATUK SERI TAJUDDIN ATAN
*Independent
Non-Executive Chairman*

Age : 61
Gender : Male
Nationality : Malaysian
Date of Appointment : 1 September 2020

MEMBERSHIP OF BOARD COMMITTEES:

- Nomination and Remuneration Committee (Chairman)

QUALIFICATIONS:

- Bachelor of Science (Agribusiness) Degree, University Putra Malaysia, Malaysia
- Master of Business Administration, Ohio University, United States of America
- Fellow Chartered Banker, Asian Institute of Chartered Bankers
- Honorary Degree of Doctorate in Finance, University Putra Malaysia, Malaysia
- Malaysian Futures & Options Registered Representatives (MFORR)

SKILLS, EXPERIENCE AND EXPERTISE:

Datuk Seri Tajuddin brings with him over 35 years of experience in the corporate and financial industry that includes banking and capital markets, both domestic and international. He was previously the Chief Executive Officer of Bursa Malaysia Berhad from April 2011 until February 2019. Prior to that, he spearheaded companies and served as the Managing Director of RHB Bank Berhad and Group Managing Director of RHB Capital Berhad (May 2009 – March 2011), President/Group Managing Director of Bank Pembangunan Malaysia Berhad (December 2007 – April 2009), Chief Executive Officer of Bank Simpanan Nasional (October 2004 –

November 2007), and Managing Director of Chase Perdana Berhad (July 2001 – September 2004).

Datuk Seri Tajuddin currently serves as the Chairman of Bank Muamalat Malaysia Berhad, Honda Malaysia Sdn. Bhd. as well as Chairman of Asian Institute of Chartered Bankers (AICB) Disciplinary Panel. He sits on the Board of Cagamas Berhad and chairs the Board Risk Committee, and has also been appointed as a Commission Member of the Malaysian Communications and Multimedia Commission (MCMC).

DIRECTORSHIPS:

Listed Entities

- Nil

Public Companies

- Bank Muamalat Malaysia Berhad
- Cagamas Berhad

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 3/3**



**DATO' SRI CHE KHALIB
MOHAMAD NOH**
Group Managing Director

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

MEMBERSHIP OF BOARD COMMITTEES:

- Nil

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

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

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

DIRECTORSHIPS:

Listed Entities

- Gas Malaysia Berhad
- Malakoff Corporation Berhad

Public Companies

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

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**

BOARD OF DIRECTORS' PROFILE



DATUK OOI TEIK HUAT
*Senior Independent
Non-Executive Director*

Age : 61
Gender : Male
Nationality : Malaysian
Date of Appointment : 22 May 2008

MEMBERSHIP OF BOARD COMMITTEES:

- Audit Committee (Chairman)
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

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

DIRECTORSHIPS:

Listed Entities

- DRB-HICOM Berhad
- Gas Malaysia Berhad
- Malakoff Corporation Berhad
- Zelan Berhad

Public Companies

- Johor Port Berhad
- Tradewinds (M) Berhad

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**



**DATO' ABDUL HAMID SH
MOHAMED**
*Independent
Non-Executive Director*

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

MEMBERSHIP OF BOARD COMMITTEES:

- Finance, Investment and Risk Committee (Chairman)
- Audit Committee

QUALIFICATIONS:

- Fellow of Association of Chartered Certified Accountants

SKILLS, EXPERIENCE AND EXPERTISE:

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

During his five (5) years with KLSE, he led KLSE's acquisitions of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE), Commodity and Monetary Exchange of Malaysia (COMMEX) and their merger to form Malaysian Derivatives Exchange (MDEX), and the acquisition of Malaysian Exchange

of Securities Dealing and Automated Quotation (MESDAQ). He also led KLSE's demutualisation exercise.

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

DIRECTORSHIPS:

Listed Entities

- Boustead Holdings Berhad

Public Companies

- Maybank Investment Bank Berhad
- Ekuiti Nasional Berhad

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**

BOARD OF DIRECTORS' PROFILE



DATO' SITI HALIMAH ISMAIL
*Independent
Non-Executive Director*

Age : 65
Gender : Female
Nationality : Malaysian
Date of Appointment : 16 July 2015

MEMBERSHIP OF BOARD COMMITTEES:

- Finance, Investment and Risk Committee

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

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

Dato' Siti Halimah had served on the Boards of Padiberas Nasional Berhad, Lembaga Hasil Dalam Negeri (LHDN), Malaysia-Thai Joint Authority (MTJA), Malaysia Industrial Development Authority (MIDA), Halal Development Corporation (HDC),

Labuan Financial Services Authority (LFSA) and was an Alternate Director on the Board of Petroleum Nasional Berhad (PETRONAS).

DIRECTORSHIPS:

Listed Entities

- Nil

Public Companies

- Waqaf An-Nur Corporation Berhad

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**



**SYED NAQIZ SHAHABUDDIN
SYED ABDUL JABBAR**
*Independent
Non-Executive Directors*

Age : 48
Gender : Male
Nationality : Malaysian
Date of Appointment : 16 July 2015

MEMBERSHIP OF BOARD COMMITTEES:

- Nomination and Remuneration Committee

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

Syed Naqiz is a Senior Partner at Messrs. Naqiz & Partners. Having practiced law for more than 22 years, he has acquired in-depth knowledge not only on legal intricacies but has also gained a solid knowledge-base on various industries ranging from finance, power, construction, automotive, defense, information technology, telecommunications, hospitality, retail, manufacturing, fast-moving consumer goods (FMCG) and logistics.

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

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

DIRECTORSHIPS:

Listed Entities

- AwanBiru Technology Berhad

Public Companies

- UOB Asset Management (M) Berhad

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**

BOARD OF DIRECTORS' PROFILE



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

Age : 66
Gender : Male
Nationality : Malaysian
Date of Appointment : 17 May 2017

MEMBERSHIP OF BOARD COMMITTEES:

- Audit Committee

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

Dato' Ir. Jamaludin started his career as a Civil Engineer with the Development Authority of Pahang Tenggara in 1979 and subsequently, with Dewan Bandaraya Kuala Lumpur. In 1981, he joined Petrolia Nasional Berhad (PETRONAS) as a Project Engineer. In 1985, he joined Syarikat Perumahan Pegawai Kerajaan (SPPK), a subsidiary of Permodalan Nasional Berhad (PNB) where he held various posts that nurtured his marketing and managerial skills which led to his appointment as the Managing Director in 1999.

In 2005, he was appointed as the Group Managing Director (GMD) of Island & Peninsular Bhd. following a merger exercise between Island & Peninsular Bhd., SPPK, and Golden Hope Property Sdn. Bhd.

In 2009, the merger of Island & Peninsular Bhd. with Pelangi Sdn. Bhd. and Petaling Garden Sdn. Bhd. saw the creation of I&P Group of Companies (I&P Group) with Dato' Jamaludin at the helm as GMD.

During his tenure, he held full accountability across the areas of operational excellence, financial controls, strategic planning and human resource development until his retirement on 30 April 2017.

DIRECTORSHIPS:

Listed Entities

- Hock Seng Lee Berhad
- KLCC Property Holdings Berhad
- KLCC Real Estate Investment Trust

Public Companies

- Nil

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**



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

Age : 27
Gender : Female
Nationality : Malaysian
Date of Appointment : 28 May 2018

MEMBERSHIP OF BOARD COMMITTEES:

- Nil

QUALIFICATIONS:

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

SKILLS, EXPERIENCE AND EXPERTISE:

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

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

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

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

DIRECTORSHIPS:

Listed Entities

- DRB-HICOM Berhad
- POS Malaysia Berhad

Public Companies

- Nil

**NUMBER OF BOARD MEETINGS
attended in financial year ended
31 December 2020: 7/7**

ADDITIONAL INFORMATION

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

MANAGEMENT TEAM PROFILE



BADRULHISYAM FAUZI
Group Chief Financial Officer

QUALIFICATIONS

- Bachelor of Engineering in Computing from Imperial College London
- Chartered Financial Analyst, CFA Institute
- Fellow, Chartered Institute of Management Accountants
- Member, Malaysian Institute of Accountants

BACKGROUND

- Assumed the position of Group Chief Financial Officer effective 1 July 2020
- Head, Group Strategy of MMC Corporation Berhad
- Group Managing Director's Office of MMC Corporation Berhad
- Head of Analysts, International Fund Management of Permodalan Nasional Berhad (PNB)
- Began his career as Investment Analyst in PNB

DIRECTORSHIPS

Sits on the boards of Johor Port Berhad, Kontena Nasional Berhad, Kramat Tin Dredging Berhad, Northport (Malaysia) Bhd and several private limited companies within MMC.



MOHD RAZIN GHAZALI
Chief Operating Officer
Technical & Engineering

QUALIFICATIONS

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

BACKGROUND

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

DIRECTORSHIPS

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



DR. MABEL LEE KHUAN EOI
Director
Group Treasury

QUALIFICATIONS

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

BACKGROUND

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

DIRECTORSHIPS

Sits on the board of Kramat Tin Dredging Berhad






FINANCIAL CALENDAR

| | | |
|--|--|--|
| <p>Annual General Meeting 10 May 2021</p>  | <p>Dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2020</p> <p>Entitlement Date : 10 December 2020 Payment Date : 23 December 2020</p>  | <p>Final Dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2020</p> <p>Entitlement Date : 3 June 2021 Payment Date : 25 June 2021</p>  |
|--|--|--|

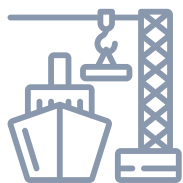
ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020:

| | | | |
|--|---|---|---|
| <p>20 MAY 2020</p> <p>FIRST QUARTER ENDED 31 March 2020</p> | <p>24 AUGUST 2020</p> <p>SECOND QUARTER ENDED 30 June 2020</p> | <p>25 NOVEMBER 2020</p> <p>THIRD QUARTER ENDED 30 September 2020</p> | <p>26 FEBRUARY 2021</p> <p>FOURTH QUARTER ENDED 31 December 2020</p> |
|--|---|---|---|

FINANCIAL HIGHLIGHTS

| | | |
|---|--|---|
| <div>Revenue</div> <div>RM4.49 billion</div> <div>(FY2019: RM4.71 billion)</div> <div></div> | <div>Profit Before Zakat and Taxation</div> <div>RM654 million</div> <div>(FY2019: RM522 million)</div> <div></div> | <div>Profit After Tax and Minority Interest</div> <div>RM375 million</div> <div>(FY2019: RM255 million)</div> <div></div> |
| <div>Earnings Before Interest, Depreciation, Tax and Amortisation</div> <div>RM2.12 billion</div> <div>(FY2019: RM1.98 billion)</div> <div></div> | <div>Gross Assets</div> <div>RM26.11 billion</div> <div>(FY2019: RM26.45 billion)</div> <div></div> | |

BUSINESS HIGHLIGHTS



Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") recorded an **all-time high record** for a total of twenty-foot equivalent units ("TEUs") handled in a month of **967,783 TEUs** and highest moves by a shift of **12,411 moves**

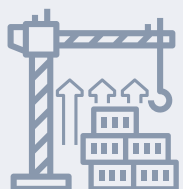
PTP welcomed

10 new full Electrical Rubber Tyred Gantry ("E-RTG") Cranes and **8 ultra large container vessel ship-to-shore ("STS") quay cranes** to heighten its capacity and productivity



PTP announced a **successful first phase of Go-Live** for the integrated **Enterprise Resource Planning system**

Johor Port Berhad ("Johor Port") finished strong by surpassing **1.0 Million TEUs of containers handled** despite the challenges that arose the COVID-19 pandemic



Johor Port welcomed **4 new RTGs and a new STS quay crane** as part of its ongoing agenda towards capacity enhancement and overall operational efficiency at its Container Terminal

Johor Port provided **Marine Services for the first Liquefied Natural Gas bunkering operations** in Malaysia



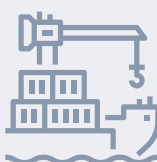
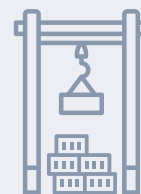
MMC Engineering Sdn Bhd signed the **Consortium Agreement** with P-Excell Management Sdn Bhd (Terengganu State company) for the East Coast Rail Line project



Northport (Malaysia) Bhd ("Northport") became **the first port in Malaysia to receive ISO 37001:2016 Anti-Bribery Management System** certification from SIRIM QAS International Sdn Bhd

Northport hit a new record with the **highest monthly volume of container handling of 310,865 TEUs and berthed the biggest dry bulk vessel at its Wharf 20** with a volume of **88,408 Deadweight Tonnage**

Penang Port Sdn Bhd ("Penang Port") welcomed **four new Rubber Tyred Gantry ("RTG") at the North Butterworth Container Terminal ("NBCT")** as part of its commitment to improve efficiency



Penang Port's NBCT has **increased its handling capacity to 2.4 Million TEUs**, making berth operations much more flexible upon completion of its upgrading work

Malakoff Corporation Berhad signed a **Memorandum of Understanding ("MoU")** with Alam Flora Sdn Bhd and PT Menara Systec Indonesia on **Privatisation of Waste Management Services** in the Republic of Indonesia; its scope includes waste facility management and other related services



Gas Malaysia Berhad signed a **MoU** with ML GAS (CAMBODGE) Co., Ltd. on investment opportunities in the **oil, gas and power sector** as well as other related property developments in the Kingdom of Cambodia

MMC Pembetungan Langat Sdn Bhd celebrated its achievement of **12 Million Manhours Without Lost Time Injury**, one of the largest accomplishments on record in any sewerage project in Malaysia to date



FIVE YEAR FINANCIAL SUMMARY

Revenue (RM'million)

| | |
|-------------|--------------|
| 2020 | 4,493 |
| 2019 | 4,712 |
| 2018 | 4,984 |
| 2017 | 4,160 |
| 2016 | 4,627 |

EBITDA (RM'million)

| | |
|-------------|--------------|
| 2020 | 2,124 |
| 2019 | 1,980 |
| 2018 | 1,492 |
| 2017 | 1,393 |
| 2016 | 1,613 |

Profit Before Zakat And Taxation (RM'million)

| | |
|-------------|------------|
| 2020 | 654 |
| 2019 | 522 |
| 2018 | 403 |
| 2017 | 436 |
| 2016 | 673 |

Earnings Per Share (sen)

| | |
|-------------|-------------|
| 2020 | 12.3 |
| 2019 | 8.4 |
| 2018 | 7.2 |
| 2017 | 6.9 |
| 2016 | 18.1 |

Profit After Tax And Minority Interest (RM'million)

| | |
|-------------|------------|
| 2020 | 375 |
| 2019 | 255 |
| 2018 | 220 |
| 2017 | 210 |
| 2016 | 550 |

Gross Assets (RM'million)

| | |
|-------------|---------------|
| 2020 | 26,107 |
| 2019 | 26,446 |
| 2018 | 25,305 |
| 2017 | 22,795 |
| 2016 | 22,729 |

Shareholders' Fund (RM'million)

| | |
|-------------|--------------|
| 2020 | 9,510 |
| 2019 | 9,344 |
| 2018 | 9,560 |
| 2017 | 9,490 |
| 2016 | 9,527 |

Net Assets Per Share (sen)

| | |
|-------------|------------|
| 2020 | 312 |
| 2019 | 307 |
| 2018 | 314 |
| 2017 | 312 |
| 2016 | 313 |

FIVE YEAR FINANCIAL SUMMARY

Dividend Per Share (sen)



| | |
|-------------|------------|
| 2020 | 5.0 |
| 2019 | 4.5 |
| 2018 | 4.0 |
| 2017 | 4.0 |
| 2016 | 4.0 |

Return On Equity (%)



| | |
|-------------|------------|
| 2020 | 3.9 |
| 2019 | 2.7 |
| 2018 | 2.3 |
| 2017 | 2.2 |
| 2016 | 5.8 |

Distribution of Value Added

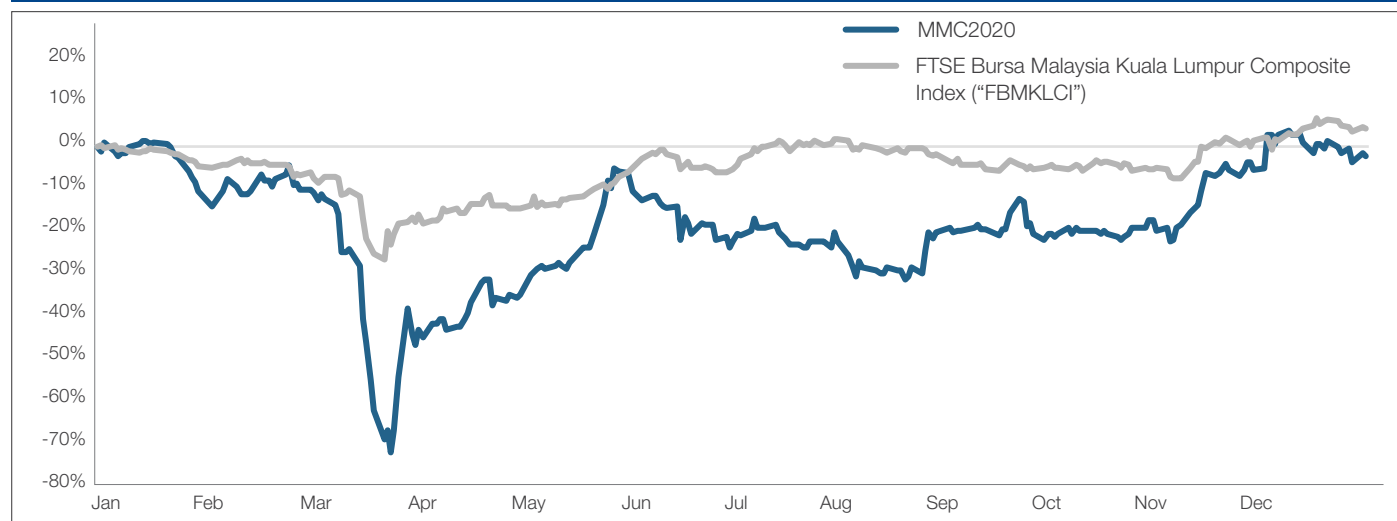
| | 2020 | 2019 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| Revenue | 4,492,748 | 4,711,796 |
| Operating expenses excluding staff cost, depreciation & amortisation | (2,033,190) | (2,357,448) |
| Other operating income | 155,954 | 220,313 |
| Finance costs | (609,972) | (677,993) |
| Share of results of associates & joint venture | 370,606 | 301,844 |
| Value added available for distributions | 2,376,146 | 2,198,512 |
| DISTRIBUTION | | |
| To employee: | | |
| Employment costs | 862,138 | 896,095 |
| To the Government: | | |
| Taxation and zakat | 207,870 | 221,581 |
| To shareholders: | | |
| Dividends* | 230,127 | 157,200 |
| To reinvest in the Group: | | |
| Depreciation and amortisation | 860,294 | 780,426 |
| Retained profit | 192,591 | 133,364 |
| Total distributed | 2,353,020 | 2,188,666 |

*Inclusive of dividends paid to non-controlling shareholders

INVESTOR RELATIONS

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

Share Price Index Performance (%)



| 1Q Change (%) | | 2Q Change (%) | | 3Q Change (%) | | 4Q Change (%) | | YOY change (%) | |
|---------------|------|---------------|-----|---------------|----|---------------|-----|----------------|-----|
| MMC | -39% | MMC | 21% | MMC | 1% | MMC | 22% | MMC | -9% |
| KLCI | -15% | KLCI | 11% | KLCI | 0% | KLCI | 8% | KLCI | 2% |

Dividend Highlights For FY2020

| | | | |
|---|---|--|---|
| Total Dividend Payout RM152.3 million (FY2019: RM121.8 million) | Dividend Payout Ratio 41% (FY2019: 51%) | Dividend Per Share 5 sen (FY2019: 4.5 sen) | Date of Payment 25 June 2021 |
|---|---|--|---|

ENGAGEMENT CHANNELS

| ENGAGEMENT CHANNELS | ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING | RESULTS ANNOUNCEMENT | ANALYST COVERAGE | SITE VISITS | MEETINGS AND CONFERENCES |
|--|--|---|---|--|--|
| Our website contains a depository of all shareholder engagement materials. Publications and disclosures are disseminated in a timely manner. | We value AGMs and EGMs as an avenue for information exchange between shareholders, Management and the Board. Minutes are available on our IR Portal. | Results announcements are released every quarter. Quarterly reports and presentation slides are available on our IR portal. | We encourage coverage by research houses, whose reports are also hosted on our website for investors' easy retrieval. | Site visits are held regularly with investment houses and institutional investors to help them better understand how we operate. | We actively participate in one-on-one meetings and investor roadshows. |

ENGAGEMENT HIGHLIGHTS FOR FY2020

| | | | | | |
|---|--|---|-------------------------------------|--------------------------------------|---|
| Annual Report Publication Date: 19 May 2020 | Date of 44th AGM: 22 June 2020 | Result Dates: Q1: 20 May 2020 Q2: 24 August 2020 Q3: 25 November 2020 Q4: 26 February 2021 Full Year Results Analyst Briefing: 1 March 2021 | No. of Research Houses: 5 | No. of Site Visits Held: 1 | No. of Meetings and Conferences Conducted: 14 Meetings and 1 Conference |
|---|--|---|-------------------------------------|--------------------------------------|---|

STAKEHOLDER ENGAGEMENT

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

| KEY STAKEHOLDER | RATIONALE OF STAKEHOLDER | ACTION TO ADDRESS STAKEHOLDER INTEREST | ENGAGEMENT METHODS AND PLATFORMS |
|---|--|---|---|
| Shareholders Provide us with the financial capital needed to sustain our growth | We focus on delivering structured and consistent engagements to our shareholders | <ul style="list-style-type: none"> Implement strategic investor relations and communication activities comprising timely and accurate dissemination of information Participate in investor related/ market forums and various briefings and platforms including analyst briefings | <ul style="list-style-type: none"> Announcements to Bursa Malaysia Quarterly and annual statements Financial reporting Investor meetings Annual General Meetings/ Extraordinary General Meetings Corporate websites and publications |
| Employees Backbone of the company. Greatest and most valuable asset of the company | We develop a sufficient talent pool for various job levels across the Group | <ul style="list-style-type: none"> Provide structured training for employee development Enhance Human Resource Policies Employee performance feedback | <ul style="list-style-type: none"> Training and development Emails, corporate websites, employee portal, publications and social media Corporate social responsibilities, social and sports activities Employee engagement surveys Townhalls, dialogue sessions and celebrations |
| Government, Regulators and Policy Makers Hold the rights to inspect and assess the compliance of laws and regulations of the company. This ensures continuous licensed day-to-day operations. Decides on compliance issues and requirements throughout the operations | We adopt the highest standards of integrity, embedding business ethics and ethical conduct as a cultural component within the organisation | <ul style="list-style-type: none"> Regular internal evaluation of company's compliance with legal requirements | <ul style="list-style-type: none"> Interviews and meetings Exhibitions, conferences and site visits Support industry and Government initiatives |
| Bankers/Investors Engage potential or actual institutional and retail investors to provide a comprehensive understanding of the company and its prospects | We provide bankers and investors timely updates on the company's business and financial performance as well as strategies | <ul style="list-style-type: none"> Timely and consistent sharing of relevant information on financial results Implementation of investor relations communication through various channels | <ul style="list-style-type: none"> Analyst briefings Financial performance results Corporate websites and publications Corporate and project site visits |
| Customers/Suppliers and Industry Players Our key enablers of project delivery. We work with those who share the same values with us | We focus on providing the best service and experience to our customers through operational responsiveness and tailored solutions | <ul style="list-style-type: none"> Address customer feedback in a timely manner Maintain quality control and quality assurance processes at business and project level | <ul style="list-style-type: none"> Events and celebrations Exhibitions, conferences, meetings and site visits Websites and publications Corporate and project site visits |
| Media Members of the media bridges the Company with the public and is an important channel for the company to build good reputation | We ensure strong rapport building towards developing brand credibility | <ul style="list-style-type: none"> Enhance media engagement strategies, media relations tools and guidelines Share company information on business, financial and new developments through appropriate channels | <ul style="list-style-type: none"> Issuance of press releases Media engagements Websites, publications and social media Advertorials and advertisements |
| Local Communities Communities within our operating areas allow us to contribute meaningful socio-economic development to their lives | We aim to raise the level of knowledge and awareness about our industry, which is in line with the greater objective of nation building | <ul style="list-style-type: none"> Implement initiatives with communities that focusses on education, environment and community development | <ul style="list-style-type: none"> Social events and festive celebrations Sponsorships and donations Townhalls Websites, publications and social media |

EVENT HIGHLIGHTS

JANUARY

1 Menteri Besar of Johor, YB Dato' Dr Sahrudin Jamal welcomed tourists at Senai International Airport in conjunction with Visit Malaysia Year 2020 and Visit Johor Year 2020

7 Penang Port Sdn Bhd ("Penang Port") received an inaugural working visit from the Chief Engineer of the Malaysian Army's Royal Army Engineers Regiment

8 A Shareholder's Agreement Signing Ceremony was held between Malakoff Corporation Berhad ("Malakoff") and Touch Meccanica Sdn Bhd

9 Senai Airport Terminal Services Sdn Bhd ("Senai International Airport") hosted a business networking event to promote Senai Airport Aviation Park as the next emerging Maintenance, Repair and Overhaul Hub

9 Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") hosted a working visit from InvestKL as part of PTP's stakeholder engagement programme

15 Johor Port Berhad ("Johor Port") organised a high tea session with various Government agencies based in Johor as part of its stakeholder engagement session

15 PTP marked another milestone with the First Collective Agreement signed with Port of Tanjung Pelepas Executive Union

15 PTP hosted a networking session with the Menteri Besar of Johor, YB Dato' Dr Sahrudin Jamal together with officials from Johor State and Federal Government at Mutiara Hotel, Johor Bahru

17 Gas Malaysia Berhad ("Gas Malaysia") held a get-together session with the investment fraternity to strengthen the relationship with analysts from brokerage firms and fund managers representing institutional investors

17 Senai International Airport hosted an appreciation dinner for Kertih Airport's stakeholders to commemorate the 1st year anniversary of Senai International Airport managing the Kertih Airport operations

23 Senai International Airport, together with AirAsia Johor Bahru Hub, organised a Chinese New Year celebration for airport passengers

29 Penang Port's Auxiliary Police was acknowledged by the Royal Malaysia Police for its good corporate citizenship in taking down a notorious drug smuggling syndicate operating in the port area

29 Senai International Airport collaborated with the Johor State Health Department to conduct a COVID-19 Precautionary Briefing session with various agencies aimed at providing information about the pandemic

FEBRUARY

1 Penang Port launched the upgrading project of Swettenham Pier Cruise Terminal ("SPCT") together with Penang Port Commission ("PPC"). The event was officiated by Chief Minister of Penang, YAB Tuan Chow Kon Yeow together with Minister of Finance, YB Tuan Lim Guan Eng

3 PTP marked another milestone, having successfully logged in an all-time highest record for total

highest moves in a month, total volume handled per month and highest moves by a shift

10 Kontena Nasional Berhad ("Kontena Nasional") held a briefing on Anti-Bribery and Anti-Corruption Policy and Framework, reinforced with a Corruption-Free Pledge (*Ikhar Bebas Rasuah*) signing ceremony

12 Penang Port held a Chinese New Year Celebration Dinner for customers and port users to strengthen business relationships

13 PTP hosted an inaugural working visit from the Chief Executive Officer of the Malaysia External Trade Development Corporation ("MATRADE") and accompanying delegation members

13 Minister of Housing and Local Government, YB Datuk Hajah Zuraida Kamaruddin, officiated Alam Flora Sdn Bhd's ("Alam Flora") Anti-Litter and Plogging "*Jupo Sapah Jange Tohok Koksey*" in Kelantan

17 Senai International Airport received an official visit from Member of Parliament Kulai, YB Teo Nie Ching and distributed 1,000 face masks and 50 safety kits to Senai International Airport's frontliners and members of the public

MARCH

29 PTP achieved its latest operational milestone, logging in an all-time highest move record with a total of 137,256 or 211,977 twenty-foot equivalent units ("TEUs")

APRIL

23 Senai International Airport carried out a full-scale disinfection

EVENT HIGHLIGHTS

and cleaning operations with cooperation from the Johor State Fire and Rescue Department

MAY

- 7 Northport received an official visit from the Minister of Finance Malaysia, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz and his delegation
- 9 Northport received an official visit from the Deputy Minister of Transport Malaysia, YB Datuk Haji Hasbi Habibollah
- 21 Johor Port organised a *Majlis Santuni dan Penghargaan Frontliners* as part of its stakeholder engagement session with Government agencies in ensuring that Johor Port can continue to operate efficiently and effectively amidst the COVID-19 pandemic

JUNE

- 1 PTP boosted its terminal capabilities with four additional latest ultra large container vessel ship-to-shore quay cranes to further drive its optimisation of services and capacity
- 3 PTP welcomed the inaugural visit by the Johor State Police Chief, Datuk Ayob Khan Mydin Pitchay
- 9 Malakoff held its 14th Annual General Meeting ("AGM")
- 15 Northport received an official visit from the new Chairman of Port Klang Authority, Datuk Chong Sin Woon
- 16 Penang Port received a visit from the Director of Royal Malaysian Customs Department Penang,

Tuan Abdul Halim Ramli and his delegation at the North Butterworth Container Terminal ("NBCT")

19

Penang Port received an official visit from the Minister of Agriculture and Food Industry, YB Datuk Seri Dr Ronald Kiandee at Butterworth Wharves to explore its potential to become one of the most important tuna landing hub in the Indian Ocean region

22

MMC Corporation Berhad ("MMC") held its 44th AGM

22

Northport welcomed a working visit by the Chief Secretary to the Government of Malaysia, YBhg Datuk Seri Mohd Zuki Ali and a delegation from the Malaysian Administrative Modernisation and Management Planning Unit

26

Gas Malaysia held its 29th AGM

JULY

7

Gas Malaysia held its Extraordinary General Meeting on the establishment of Islamic Medium-Term Note and Islamic Commercial Paper programme by its wholly owned subsidiary, Gas Malaysia Distribution Sdn Bhd

7

MMC Pembetungan Langat Sdn Bhd ("MMC PLSB") received a visit from the Minister of Environment and Water, YB Dato' Sri Tuan Ibrahim Tuan Man accompanied by the ministry's officials to Langat Centralised Sewage Treatment Plant to celebrate 12 million manhours without Lost Time Injury

9

Northport received an official visit from the Minister of Transport, YB Datuk Seri Ir Dr Wee Ka Siong

12

Seaport Worldwide Sdn Bhd hosted a working visit for Menteri Besar of Johor, YAB Dato' Haji Hasni Mohammad to the Sungai Pulai Bridge project site

13

Johor Port received a courtesy visit from the Director General of Customs, Royal Malaysian Customs, Dato' Sri Abdul Latif Abdul Kadir

14

MMC PLSB participated in the Malaysia Water Association webinar to articulate the project's challenges and achievements

19

PTP welcomed the Minister of Environment and Water, YB Dato' Sri Tuan Ibrahim Tuan Man for a working visit to the port

20

Senai International Airport hosted a business networking session and facilities tour for representatives from the Malaysia Healthcare Travel Council, Iskandar Regional Development Authority and private hospitals in Iskandar Malaysia with the objective of promoting Johor as a Medical Tourism destination

20-21

Johor Port and PTP hosted an inaugural working visit for the Ministry of Plantation Industries and Commodities and representatives from the Malaysian Cocoa Board

21

Northport hosted a courtesy visit from Media Prima Berhad, led by its Group Managing Director, Dato' Iskandar Mizal Mahmood

25

Minister of Federal Territories, YB Tan Sri Datuk Seri Panglima Haji Annuar Haji Musa officiated the *Fasiliti Inovasi Kitar Semula* ("FIKS") in Presint 5, Putrajaya

EVENT HIGHLIGHTS

AUGUST

- 6** Northport and its Staff Union signed the 7th Collective Agreement 2019-2020 at Holiday Inn Kuala Lumpur Glenmarie, Shah Alam
- 10-11** Johor Port and PTP received a working visit from the Strategic Trade Secretariat, a division under the Ministry of International Trade and Industry
- 18** Johor Port hosted a working visit by Director of Johor Immigration, Baharuddin Tahir
- 23** Alam Flora launched its “*Jangan Gunalah: Plastik Sekali Guna*” and “Trash to Cash Programme” as well as 3R on Wheels in Mentakab, Pahang
- 25** Johor Port received a courtesy visit from MATRADE
- 26** Kontena Nasional celebrated its 49th anniversary
- 28** PTP welcomed four new Ultra Large Container Vessel quay cranes

SEPTEMBER

- 22** Johor Port signed a Memorandum of Understanding with the Universiti Teknologi Malaysia School of Professional and Continuing Education to develop and offer professional qualifications related to Ports and Logistics Management system
- 29** Northport organised a Tier 2 emergency preparedness and response exercise called the Disaster Management Exercise Northport 2020 to gauge its readiness in dealing with an emergency

OCTOBER

- 7** Penang Port received an official visit from the newly appointed Penang Chief Police, Datuk Sahabudin Abdul Manan, together with his contingent at the NBCT
- 12** Alam Flora hosted a working visit from the Chairman of SWCorp, YB Dr Daroyah Alwi at FIKS and held a get together session with its frontliners
- 14** Alam Flora received a working visit for the Chief Secretary of Housing and Local Government Ministry, YBhg Datuk Zainal Abidin Abu Hassan at FIKS
- 15** Alam Flora hosted a lunch meeting between its CEO and Stefan Priesner, the UNDP Resident Coordinator for Malaysia, Singapore and Brunei on the Smart Partnership Proposal
- 18** PTP received an inaugural working visit from the Menteri Besar of Johor, YAB Dato’ Haji Hasni Mohammad and his delegation to foster relationship with the state Government agencies and authorities
- 24** Alam Flora received a working visit from the Deputy Minister of Housing and Local Government, YB Dato’ Sri Haji Ismail Abd Muttalib at the Cameron Highlands Incinerator, Pahang

NOVEMBER

- 7** Johor Port boosts Container Terminal performance with additional new quay crane
- 17** Minister of Housing and Local Government, YB Datuk Hajah Zuraida Kamaruddin launched

the rebranding of DRB-HICOM Environmental Services to Alam Flora Environmental Solutions at FIKS

DECEMBER

- 7** Alam Flora received a working visit from the Department of Environment
- 8** Alam Flora received a working visit from the Ministry of Housing and Local Government, the National Solid Waste Management Department and SWCorp
- 15** Penang Port held a joint press conference with PPC regarding the new ferry operations, attended by various Government agencies
- 21** Alam Flora launched the “1 Supervisor 1 Transformation Area” and “Housing Bin” programmes, officiated by the Deputy Minister of Federal Territories, YB Datuk Seri Dr Santhara Kumar and Mayor of Kuala Lumpur, Datuk Seri Hj Mahadi Che Ngah
- 28** Penang Port organised a “New Ferry Operations: Media Walkabout” at the SPCT George Town and Pangkalan Sultan Abdul Halim Butterworth terminals
- 29** Johor Port received the UTM AIMS4STAR 2020 AWARD (Endowment Contribution Excellence) for its active and impactful contribution to the UTM Endowment Fund

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (“the Board”), I am pleased to present the Annual Report and audited financial statements of MMC Corporation Berhad (“MMC” or “the Group”) for the financial year ended 31 December 2020 (“FY2020”).

INTRODUCTION AND FINANCIAL YEAR OVERVIEW

Without a doubt, FY2020 was an unprecedented year that had the world facing the onset of the Coronavirus Disease 2019 (“COVID-19”) pandemic. The pandemic had spread rapidly worldwide and severely disrupted businesses, trade, industrial activities and households. Almost all economic sectors across the globe were forced to a standstill due to the implementation of lockdowns to curtail the spread of the virus.

Ultimately, the COVID-19 pandemic has suppressed global demand for goods and services as well as businesses and investors' sentiment. Local and international supply chains were halted and many were severely affected by the sudden shock in demand and supply. Given the widespread effect of the pandemic, it is safe to say that not one industry has been spared from its negative impacts.

Consequently, global Gross Domestic Product (“GDP”) contracted significantly by 4.3% in FY2020. In line with the negative growth of the global economy, Malaysia's GDP saw a contraction of 5.6% in FY2020, the largest drop in output since the 1998 Asian Financial Crisis. The domestic economic contraction was mainly attributed to three (3) consecutive contractions in quarterly economic performance, starting with the second quarter of FY2020, posting a 17.1% contraction, followed by the third and fourth quarters of FY2020 recording negative growths of 2.7% and 3.4%, respectively.

Despite the tumultuous operating backdrop faced in FY2020, MMC has continued to be resilient. By focusing on operational efficiency, stringent cost management and optimising productivity, the Group has posted stronger earnings during the financial year, despite a slight revenue decline.

The growth in earnings is a testament to the robustness of MMC and the strategic positioning the Group holds within various essential business sectors and value chains that we operate in. It also emphasises the operational agility and flexibility of our business



divisions and operating companies who have been swift to respond proactively to the new operating conditions. This included strict adherence to COVID-19 Standard Operating Procedures (“SOPs”) at all times and successfully managing a wide range of operational constraints brought on by the new normal operating environment.

The full details of the challenges faced and the achievements during the year are detailed further in the Management Discussion and Analysis and the Operations Review sections of this Annual Report on page 40 and page 92.

I also wish to highlight the significant role played by the Government, who demonstrated tremendous foresight and concern for the economy and the welfare of the Malaysians by taking effective and timely measures in addressing the COVID-19 impact. The Government's measures were both strict yet tempered with practicality in ensuring the country's economy was sustained even during the peak periods of the pandemic.

**Profit Before Zakat and Taxation of
RM654 million**

**Profit After Tax and Minority Interests of
RM375 million**

FINANCIAL PERFORMANCE

In FY2020, MMC posted a revenue of RM4.49 billion, 4.7% lower year-on-year (FY2019: RM4.71 billion). However, on the back of continued operational efficiencies derived throughout the year across all business divisions and operating companies, the Group has delivered an improved earnings performance. MMC for FY2020 recorded Profit Before Zakat and Taxation of RM654 million and Profit After Tax and Minority Interests of RM375 million.

**Source: Bank Negara Malaysia, Department of Statistics Malaysia, The World Bank*

CHAIRMAN'S STATEMENT

Further details of the Group's financial performance are provided in the Group Managing Director's review titled "In Conversation with the Group Managing Director" and Financial Review sections of this Annual Report.

In tandem with earnings for FY2020, the Board of Directors have approved a dividend of 3.5 sen per share, to be paid on 25 June 2021 with a dividend payout amounts to RM106.6 million. Together with the earlier dividend of 1.5 sen per share paid on 23 December 2020, the total dividend for the year is 5.0 sen per share with total dividend payout of RM152.3 million.

ENHANCING GOVERNANCE IN RESPONSE TO THE NEW NORMAL

The COVID-19 pandemic year has served to reinforce the importance of good corporate governance in realising business and operational sustainability. At MMC, good corporate governance and sound risk management policies have been key to our ability to mitigate the many risk factors that emanated from the turbulent macro-operating environment.

Good corporate governance, especially in terms of establishing policies and processes, had enabled MMC to address both material financial and non-financial risks arising from COVID-19 and other factors arising from the external operating environment.

In FY2020, the Board had taken a proactive and comprehensive approach to strengthening the existing robust corporate governance framework. While risks cannot be eliminated, it certainly can be managed effectively. The Board, through its respective Board Committees, will continue to play an active role in driving improved governance within the Group and to share our governance values with our supply chain and business partners.

The Board and management also continue to provide oversight on ongoing efforts to strengthen business fundamentals and to progressively transition MMC into an empowered organisation based on a high-performance culture. Hence, the focus on developing our workforce and also emphasis on the Group's



succession planning programme. It is essential that the next echelon of leaders are identified and developed to ensure continuity in the Group's business plans.

LINKING FINANCIAL AND NON-FINANCIAL VALUE CREATION

In today's business world, the impact of environmental and social performance as well as governance is increasingly growing in significance. The triple bottom line as opposed to a financial bottom line is imperative towards ensuring continued business relevance and value creation.

Progressively, not only has MMC focused on improving its Environmental, Social and Governance ("ESG") performance but the Group is also strategically identifying how ESG can and should be further embedded across the Group's existing business model. In essence, the Group is being cognisant of how non-financial outcomes are inherently linked to financial performance.

The Group's business model is also transitioning towards a more environmentally and socially responsible form. This is well reflected across our business divisions and operating companies.

MMC, via Malakoff Corporation Berhad, continues to play a leading role in driving increased adoption of renewable energy in Malaysia and abroad. This includes solar panel rooftop installations, mini-hydro projects and in the future, waste-to-energy generation.

Through Aliran Ihsan Resources Berhad, MMC is playing a role in addressing the critical issue of water security and non-revenue water loss in Malaysia.



Managing our environmental and social impacts should not be driven purely by good intentions but also in terms of how these aspects are vital to MMC's business performance. Further disclosure on our sustainability performance across our material topics are provided in the Sustainability Report contained in this Annual Report on page 145.

CHAIRMAN'S STATEMENT

PURSUING INTEGRATED REPORTING

Typically, Annual Reports tend to be based on past performance, providing detailed disclosure on what was achieved. Increasingly, shareholders and investors wish to see future-driven disclosures.

In continuing our commitment towards a comprehensive and integrated disclosure on our business performance, MMC has made further progress in the continued adoption of integrated reporting ("*<IR>*"). In our second year of *<IR>*, we have strengthened disclosure on our business model as well as future orientation.

Although the future is unpredictable as proven by the black swan event of COVID-19, MMC's Integrated Annual Report 2020 aims at providing useful and meaningful information to our shareholders and investment community on our strategic priorities and aspirations going forward.

Aside from the Chairman's Statement and the Group Managing Director's review, I would like to highlight that readers also review the Strategic Section of this report for a more comprehensive overview of MMC, its business strategies, its risks and opportunities and how external trends and developments may influence the business model and our decisions on capital allocation.

IMPROVING HEALTH AND SAFETY PERFORMANCE

MMC has always prioritised Occupational Safety and Health ("*OSH*") and sees it as paramount to the creation of financial and non-financial values. Adopting and implementing OSH of the highest standards will only strengthen our operations further and contribute towards MMC's continuous growth.

FY2020 saw an increased focus on OSH, more so with the onset of the COVID-19 pandemic. Beyond our usual vigilant approach to OSH matters, the Group, adopted additional measures in response to the pandemic.

Being regarded as essential services is more than just a license to operate during the pandemic period. It is to fulfil an important role that contributes to the socio-economic wellbeing of the nation and its people during a most difficult time; to ensure that basic essentials such as power, water as well as goods and services are still available. This includes providing jobs and keeping our people safe as they execute their duties.

As such, in FY2020 MMC developed its Group-wide Pandemic Response Plan ("*PRP*"). In adherence to the Government's SOP, the PRP provides safe work processes and requirements to enable continued business operations. The PRP enforces new measures such as limitations of on-site employees at work sites, implementation of social distancing protocols, issuance of face

masks and hand sanitisers, temperature checks and MySejahtera registrations as well as compulsory periodic COVID-19 tests.

Notwithstanding the COVID-19 pandemic, the Group will continue to uphold OSH as part of its overall approach of prioritising its workforce as a key asset.



CREATING STAKEHOLDER VALUE THROUGH GOOD CORPORATE CITIZENRY

Equitable development and sharing of wealth are only a natural form of justice and one which MMC remains passionate in championing.

In FY2020, MMC continued to strive to be a force of good for society. The Group has pursued its identified corporate social responsibility ("*CSR*") pillars despite the many challenges faced. These are Education and Community Development, Human Capital Development and Environmental Preservation.

Our CSR pillars are aligned to the United Nations Sustainable Development Goals. We believe it is imperative that corporations give back to the underprivileged and less fortunate of society. It is part of ensuring that as we create value, this value is shared by all; that all segments of society benefit from socio-economic progress and no one is left behind.

MMC in FY2020 has extended a wide range of financial and non-financial aid to segments of society that have been affected by the pandemic. These included providing cash donations to support healthcare frontliners, facilitating the supply of personal protection equipment and other forms of contribution.

Even with the presence of COVID-19, MMC's employees continue to support and contribute to the Group's CSR pillars. Many volunteered their time, skills and efforts to reach out and assist fellow Malaysians.

CHAIRMAN'S STATEMENT

We believe that in doing so, we have made a tremendous positive difference in the lives of many. We thank our employees for their kindness.

The full details of the CSR initiatives and programmes undertaken by the Group are provided in the Sustainability Report of this Annual Report on page 145.



LOOKING TO THE FUTURE

Coming from a very challenging 2020, the future looks positive and hopeful as the global and national economies are expected to post strong recoveries going forward. Barring a recurrence of the virus and other unforeseen circumstances, the world and Malaysia should be able to rebound and emerge stronger and ultimately maintain an upward momentum in economic growth.

Though the imposition of the second MCO in Malaysia on 16 January 2021 may slightly depress first quarter economic growth, the arrival of vaccines within the same quarter should bolster consumer and investor confidence. On a related note, the Malaysian Budget 2021 provides a strong impetus for Government pump-priming of the economy to spur GDP growth.

In addition, MMC's balance sheet and cash position remain healthy which allows the Group to tap into the financial market on-demand at a competitive and fair price.

Given MMC's unique position as a leading utilities and infrastructure group, we are well positioned to benefit from the expected recovery in consumption demand, import and export trade activities as well as foreign and domestic investments.

Many of the Group's business divisions and operating companies have been classified as providers of essential services. Hence, our role as a strategic enabler of commerce and trade activities and ultimately economic growth will ensure our business model is sustainable in the long term.

I am positive that despite the various uncertainties and turbulence in the operating environment, MMC with its strong fundamentals, remains well on track for value creation and to continue realising its vision and mission.

APPRECIATION AND ACKNOWLEDGEMENTS

In a year of immense challenge and disruption, MMC has stayed the course and with that, the Board wishes to thank our 15,494-strong workforce who rose to the various difficulties faced to ensure the Group continues to make progress and most importantly, continues to create value for all stakeholders. Our employees' commitment and contributions during one of the most trying times that the world has faced is truly well received and has been significant in ensuring that MMC continues to stand strong and move forward throughout FY2020.

I wish to acknowledge my fellow Board members for their wise counsel and for their contributions on the respective Board committees.

Equally noteworthy were the Group's management team helmed by our Group Managing Director, Dato' Sri Che Khalib Mohamad Noh and the management teams of our various business divisions and operating segments. Their astute leadership and decisiveness in response to complex scenarios enabled the Group to overcome many obstacles to ensure continued value creation.

In the same vein, we extend our appreciation to our shareholders and business partners, the various Government agencies, regulatory bodies, vendors as well as suppliers for their continued support to MMC.

We have braved through an eventful year and the future looks to be challenging and exciting. May we journey on together towards greater heights of accomplishment in FY2021.

DATUK SERI TAJUDDIN ATAN

Chairman

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR, DATO' SRI CHE KHALIB MOHAMAD NOH



Q1: Dato' Sri Che Khalib, in retrospect, what are your thoughts on how FY2020 was for Malaysia and MMC Corporation Berhad ("MMC" or "the Group")?

Worldwide, nations, economies, businesses, and the population have been strenuously tested by the unprecedented events and challenges face in the year 2020. The biggest factor would be the Coronavirus Disease 2019 ("COVID-19") pandemic, which caught the entire world off guard. The pandemic occupied the spotlight as other important issues such as the US-China trade war, declining crude oil prices and other macro-operating factors faded into the background, but without a doubt had also aggravated the economic and business environment.

Nonetheless, the focus was on dealing with the significant social, economic and health impacts brought by the pandemic. The world had to adjust quickly to new norms as our daily lives changed almost overnight with the imposition of lockdowns and strict Standard Operating Procedures ("SOPs"), or as we know it here in Malaysia, the Movement Control Order ("MCO").

Q2: Is there an insight or lesson to be learnt from the pandemic? What would this be?

There are many lessons we can learn from this unprecedented experience. For me, the single, most important life and business lesson is that nothing should be taken for granted. We should not assume that our lifestyle is impervious to external factors beyond our control and therefore, we should appreciate the many blessings, privileges and comparative advantages that we enjoy on a daily basis.

Nevertheless, let us focus on the positives. I am optimistic that we will overcome this difficult period and with time, the world and Malaysia will win the battle against COVID-19 and will emerge stronger, better prepared and more resilient.

Q3: Speaking of positives, what is one observation you have seen thus far in people as well as in Malaysia's business sector?

Empathy, collaborative spirit and resilience.

When the going gets tough, the tough get going. And we see this every single day, in the resilience of Malaysians who have been very strong and united throughout the pandemic.

From our frontliners to families, to school teachers and parents, not forgetting the food delivery riders, hawkers, hard-heeled workers and others, people continue to strive and adapt to continue contributing to their families and the nation, and at the same time maintaining the discipline needed to prevent the virus from spreading.

Difficult and inconvenient as it may be, the people have risen to the challenges. We continue to support each other, to lend assistance and to be considerate of the larger community in which we live in. This is important, as conditions could have been much worse as seen in many other countries. Nevertheless, in Malaysia, by putting the community's wellbeing over personal liberties, the situation in Malaysia is not as bad as compared to other countries.

Specially, I wish to convey my respect and gratitude to the many frontliners in the healthcare sector as well as in the essential service sectors. These include non-medical frontliners who continue to work at our ports, airport, power plants, water treatment plants, the police, the customs and many more. Their continued professionalism and dedicated service exemplify the courage, fortitude and discipline required to overcome this virus pandemic.

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR

We also wish to acknowledge the Government's swift response in dealing with the pandemic. Beyond just lockdowns, the Government has also introduced a wide range of incentives and other forms of assistance to support the people. It has been a sensitive matter in balancing economic, social and health perspectives, which is a very difficult challenge. But together, through the collective effort from all stakeholders, we continue to be resilient and persevere and I strongly believe with the arrival of vaccines, we can reach a permanent resolution to the pandemic soon.

Q4: MMC, despite the turbulent operating backdrop, has continued to register healthy business growth. Can you tell us more about the Group's progress in 2020?

It has been very challenging year, but MMC has managed to prevail and showcase resilient business model against the numerous challenges. Let's look back at how the year was for the Group.

In general, the second quarter of FY2020 represented a low point for many operations. Nevertheless, beginning from the third quarter of FY2020, we witnessed most of our businesses picking up steam, and to certain extent, recording better performance as compared to FY2019.

This is especially the case for our Ports and Logistics Division which recorded a growth of 13% in container handling volumes for the third quarter of FY2020 against the second quarter of FY2020. With regards to our Energy and Utilities Division, the rebound in the third quarter of FY2020 was more stable as demand returned to normal, to a certain extent.

Having said this, for certain industries, such as the aviation and tourism industries, there has not been a clear road to recovery as it is still subject to the effectiveness of COVID-19 containment.

Nevertheless, collectively we have prevailed. Through perseverance, determination, innovation and discipline, we did adjust and with that, business performance began to improve throughout the remainder of the year despite the final quarter saw the re-imposition of the Conditional Movement Control Order ("CMCO"), which moderately disrupted recovery momentum for the year-end.

As a result, we have responded in proactive fashion and 2020 ended on a positive note for MMC. This is largely attributed to the resilience of the Group's business model, the swift strategic response adopted by the management of all our operating companies and most importantly, the excellent performance and spirit of our people.

Stakeholder engagement has always been essential to the Group, more so during the COVID-19 period. This was vital in ensuring that MMC and its stakeholders were mutually aligned on revised project deliverables, the various challenges faced and revisions in contractual terms while offering mutual strategic support to ensure continued value creation.

Q5: Given that MMC's business divisions and operating companies are essential services, wouldn't it have been business as usual?

Not quite. Being an essential service is a license to operate. However, when the first MCO was implemented in March 2020, it had disrupted all economic sectors and industries' value chain. At that time, SOPs were yet to be developed or were not clear. What portion of works or business activities could proceed and what could not? What goods and services could be permitted across borders and what could not? What percentage of the workforce could operate? The initial period of adjustment was indeed very challenging.

It's fair to say that no one was ready. The MCO was a new experience for all stakeholders and a learning process for everyone. However, things progressively improved when the essential industries were first allowed to continue operating at varying degrees of capacity, if not full capacity.

Q6: How then did MMC perform in FY2020, Dato' Sri?

As the Group adapted to new operating conditions, we began to regain, if not improve and achieve higher productivity and efficiencies.

Credit for this goes to our workforce who have been nothing short of excellent during the pandemic year. They have been outstanding throughout the year with their professionalism, commitment to SOP compliance, ingenuity in devising solutions to address operational constraints and for rising to the many challenges faced.

Amidst difficult and fluid operating conditions, they have continued to demonstrate a "resilient" attitude to turn problems or issues faced into opportunities to improve operational efficiency and to optimise costs. Thanks to their diligent and innovative efforts, the Group has become more competitive in its respective industries and more resilient. Through the dedication of our people and the strength of our business model, MMC has realised operational excellence and delivered a robust financial performance in 2020.

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR

Q7: Dato' Sri, do you have any specific examples where MMC employees have excelled in 2020?

They are many. Let us look at SOP compliance at our ports, for example. Across MMC's ports, we have many employees who, for the most part, work in close proximity or at times, even in confined spaces.

Yet, their commitment to adhere to SOPs have paid off as only a very low number of positive cases were recorded in 2020. The willingness to follow rules, including quarantine measures, have ensured that we have had no clusters at our ports. This was a similar situation at our airports as well as at other business divisions and operating companies.

Our port employees have also worked tirelessly in ensuring quick clearance of goods, especially medical equipment for hospitals and personal protective equipment for frontliners.

At Malakoff Corporation Berhad ("Malakoff"), our people have ensured that power plants continued to operate at optimum capacity to deliver sufficient electricity to the grid. This is so important during a lockdown period when everyone is at home or working from home. Alam Flora Sdn Bhd ("Alam Flora") has been actively providing not just waste and environmental services, but also disinfection and sanitisation services to prevent infections and to keep people safe.

Employees at Gas Malaysia Berhad ("Gas Malaysia") understand how important gas supply is, both to retail and industrial customers. They have worked tirelessly and remain committed to ensure a 99% supply reliability rate. Additionally, one of the biggest consumers of gas is glove makers and pharmaceutical companies. Hence, the important role that our people play within a larger supply chain and in the fight against COVID-19.

The Engineering Division has been impacted by the lockdowns and restrictions. The labour pool of foreign workers has been affected. The need to comply with stringent but necessary SOPs has made construction works more challenging. Yet, our employees continue to persevere, and by reengineering business processes, have enabled construction projects to resume, which are now progressing well towards completion.

The same applies to Aliran Ihsan Resources Berhad's ("AIR Berhad") employees who have continued to ensure that the water treatment plants continue to function well in delivering sufficient water in Gunong Semanggol and Taiping, Perak and a few commercial buildings in Sunway, Selangor. Can you imagine being restricted to your home and yet having your taps run dry?

There are many more examples on this and I wish to take this opportunity to thank all MMC employees for their commitment, competence and excellent performance in 2020.

Q8: Dato Sri', please take us through the Group's financial performance for 2020.

Despite seeing a slight decrease in the Group's top line performance, Group earnings has improved in 2020 as compared to 2019. In essence, we are optimising our assets and enhancing our capabilities towards delivering the best returns possible for shareholders.

On the back of continued operational and cost efficiencies, MMC's Profit Before Zakat and Taxation ("PBZT") stood at RM654 million, 25.3% higher year-on-year. Profit After Tax and Minority Interests ("PATMI") was RM375 million, 47.1% higher than FY2019's RM255 million.

As mentioned, Group revenues were lower due to the operating conditions in FY2020, where several of our operating companies saw lower business activities due to the COVID-19 pandemic and other factors. Some managed to still register improved revenue.

However, the significant achievement is that of the various measures implemented by our operating companies. Their various efforts have trimmed down costs, eliminated inefficiencies and improved productivity. As a result, earnings have improved for many of them.

Q9: Please share with us some financial highlights from the operating companies for FY2020.

Port of Tanjung Pelepas ("PTP") improved its Profit Before Tax ("PBT") and Profit After Tax ("PAT") by 48% and 69% respectively, a noteworthy achievement to end the year with pre-tax earnings of RM307 million and post-tax earnings of RM228 million. Revenue had only expanded by 12% in FY2020 to RM1,458 million, yet earnings saw a significant rise during the financial year.

Similarly, Northport (Malaysia) Bhd's ("Northport") revenue only increased by 1% in FY2020, yet PAT improved to RM82 million, 25% higher year-on-year. Our Tanjung Bruas Port Sdn Bhd, despite seeing revenue decline in FY2020, achieved a 22% improvement in earnings to end the year at RM4.6 million.

Penang Port Sdn Bhd ("Penang Port") was another highlight. The port was considerably impacted by the loss of revenues from its cruise segment in FY2020. Yet Penang Port rose to the occasion and delivered after tax profits of RM48.4 million, a 17% improvement year-on-year.

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR

I also wish to highlight the continuous and relentless efforts undertaken by our other operating companies, that despite facing adverse operating conditions, have managed to ensure sustained and resilient business operations in FY2020. These include Malakoff, Gas Malaysia, AIR Berhad and Johor Port Berhad. The numerous business challenges had spurred these companies to develop and innovate their respective business models to emerge even more robust and adaptive to future industry challenges.

Further details of the Group's financial performance and that of the specific business divisions and individual operating companies are provided in the Financial Review and Operations Review sections of this report.

Q10: What about operational highlights?

Our five ports posted higher cargo volumes in total year-on-year. This was made possible due to increased productivity and timely response to customers' requirements that enabled our ports to quickly capitalise on the market demands.

MMC Ports registered container throughputs of 14.9 million Twenty-Foot Equivalent units ("TEUs") for the financial year, a growth of 4.5% as compared to 2019.

Of note, Northport achieved a monthly container handling volume record of 310,865 TEUs in December 2020. Northport also berthed its largest ever dry bulk vessel at a volume of 88,408 DWT.

PTP posted 9.8 million TEUs in 2020, that is 700,000 TEUs more than FY2019. The Operations Team also logged a total of 967,783 TEUs in December 2020, the all-time highest move recorded in a month. In FY2020, PTP was the only port among the top 20 in the world to have grown its throughput. PTP also improved its ranking as one of the world's largest transshipment hubs from 18th in 2019 to 15th in 2020.

Malakoff continued growing its Renewable Energy portfolio. Though the footprint remains relatively small compared to other existing businesses, it marks an important progress year-on-year as the experience gained will hold Malakoff in better stead to bid and secure more projects, both locally and abroad in the future.

Malakoff also recognised the first full-year contribution from Alam Flora Sdn Bhd ("Alam Flora"). Alam Flora paves the way for Malakoff to secure a foothold in the high-potential environmental and waste management services in a niche sector.

MMC Engineering Division continued to progress to construct and develop key, national infrastructure development projects. These



include the Klang Valley Mass Rapid Transit Putrajaya Line, the Langat Sewerage Project and Langat 2 Water Treatment Plant, among others. In addition to this, Engineering Division is proactively replenishing its order book by participating in various tender exercises.

Gas Malaysia maintained a 99% gas supply reliability rate throughout FY2020 and successfully extended its Natural Gas Distribution System network by 120 kilometres. The Kinta Valley Natural Gas Distribution System Project is already supplying gas to 15 new customers, while another 29 potential customers will receive gas in stages upon project completion. The operating company was awarded the Highest Return on Equity over Three Years accolade at The Edge Billion Ringgit Club Corporate Awards 2020.

MMC's Industrial Development Division achieved an encouraging 40 acres of land sale at Senai Airport City. The division also obtained approval from the Kulim local municipality for the Northern Technocity masterplan and earthworks. Construction works remain on track to meet the 2021 site development target.

The full details of the respective financial and non-financial values created by the Group's business divisions and operating companies are provided in the Strategic Profiles and Value Chain section of this Annual Report.

Q11: How did the Group reach out to those affected by the pandemic, especially with the constraints caused by the various MCOs?

When there is a will, there is a way. Corporate Social Responsibility ("CSR") has always been a big part of MMC. In FY2020, our efforts comprised our usual CSR programmes as well as activities aimed at helping groups impacted by the COVID-19 pandemic. This included healthcare frontliners.

MMC's operating companies such as MMC's ports, Malakoff, Gas Malaysia, Alam Flora and others provided a wide range of financial and non-financial assistance to the Government hospitals and

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR

medical personnel. It was our way of showing that we appreciated their tireless efforts in keeping us safe.

We also helped those who had lost their livelihoods due to the pandemic. MMC contributed 600 care packages consisting of daily food supplies to the school bus and taxi drivers. The Group also continued to assist underprivileged senior citizens, single parents, the handicapped and poverty-stricken segments of our community. This included 950 families across Peninsular Malaysia.

MMC will continue to support a wide range of charitable causes. Please refer to our Sustainability Report on page 172 for more information on our CSR initiatives and activities.

Q12: From a business and operational perspective, what have been the key insights for the Group in 2020?

The pandemic has instilled a further appreciation for the need to be operationally efficient: to do more with less, to function and deliver the required performance despite the constraints and to eliminate wastages throughout the business process.

Prior to 2020, Management had already implemented the Group-wide strategic effort known as Take Cost Out (“TCO”) and Get Revenue In (“GRI”). The importance of both TCO and GRI were magnified in 2020. Our TCO and GRI initiatives paid off as we recorded an incremental revenue and substantial savings in FY2020, respectively.

Cost optimisation and reduction initiatives were extremely crucial in FY2020, given the challenging economic and business environment to preserve and potentially improve Group’s profit margins. To emphasise this and on the back of the Group’s reduction in total revenue by 4.7% year-on-year, our PBZT had in fact improved by 25.3% over the same period.

However, operational efficiency was not the only lesson learnt. The other key insight was striking the right balance between meeting today’s requirements and planning for tomorrow. In response to the prevailing challenging economic and industry outlook, the



Group has also been selectively prioritising the near-term Capital Expenditure (“CAPEX”) of its ports, involving deferment of non-critical expenditure. These CAPEX plans would be pushed back to a later date when additional capacity is needed to cater for growth in volume.

As we looked to remove inefficiencies, it was also imperative to ensure a balance to develop future capacity. MMC must be ready for the imminent recovery in momentum, whether that will be in FY2021 or early FY2022.

Q13: What about operational and strategic synergy?

Synergistic value is always at the forefront of our value creation. Management is heartened that in 2020, there have been many more success stories of synergy being produced between business divisions and operating companies of the Group.

Case in point, our Engineering Division has been successful in delivering the infrastructure development of other business divisions or operating companies. Likewise, in 2020 we saw the same synergistic value being created between Malakoff, Senai International Airport and AIR Berhad. There was also synergistic collaboration between the Group’s five ports.

Harnessing synergistic potential is one of the strategic priorities for MMC going forward. Synergy enables the Group to deliver stronger value propositions to the market and to innovate and develop new solutions. It facilitates the cumulative strength of MMC to be utilised for value creation.

Q14: Looking forward into FY2021, what are the prospects for the year?

Despite the imposition of the new MCO in January 2021, operating conditions are much more manageable. The lessons learnt from the first MCO and other lockdown phases throughout FY2020 have been well internalised by regulatory stakeholders and industry players.

In that sense, we can see a more systematic approach for lockdowns being applied. This is something we view as positive because economic activities across all sectors can practically resume even during the lockdown period.

Indeed, challenges persist, but there is also cause for optimism. The latter category includes the much-welcomed development of vaccination programme, which has started in the first quarter of FY2021 in Malaysia. This has injected confidence and renewed vibrance into the economy as consumer and investor confidence improves.

IN CONVERSATION WITH THE GROUP MANAGING DIRECTOR

With a full and permanent resolution to COVID-19, confidence will be restored and with that, so would regular trade, commerce and business activities. This includes travel which has been severely hit in 2020 and we hope to see a recovery in air and cruise travel by the end of FY2021.

The Government has taken the lead in reviving the economy through pump-priming activities. Both public and private sectors should also play a role to spearhead the economic recovery.

Large-scale public infrastructure projects will provide a strong catalytic economic effect, with the benefits cascading across multiple value chains and being felt by multiple stakeholders. Pump-priming the economy is necessary to expedite recovery.

Q15: And what about MMC's prospects?

MMC is far more efficient now, having evolved and adapted with speed since 2020 began, prior to the start of the pandemic. Resources are being optimised, we are much more agile and nimble with the ability to adapt, innovate and respond quickly to changes in the operating environment.

Management remains positive on MMC's ability to sustain its performance in FY2021. The Group is well poised to benefit from any upswing in consumption demand, import-export activities, increased foreign and domestic direct investments, revival of mega-infrastructure projects and other strategic initiatives that will spur the economy.

As the economy recovers, MMC's Ports and Logistics Division will be essential in driving the country's economy by facilitating global trade such as import/export activities. Our ports will help to reconnect the economic activities and ensure the supply chain remains intact in order to support the anticipated economic growth in FY2021.

Similarly, MMC's Energy and Utilities Division is well positioned to benefit from the expected rise in production and consumption activities. The division also provides a stable recurring income base for the Group.

As for our Engineering Division, a wide range of infrastructure projects were announced under Budget 2021. Development Expenditure allocation in Budget 2021 is 38% higher year-on-year, underpinned by the reinstatement of megaprojects and the announcement of new projects. Given MMC's proven expertise and track record, the division is well placed to capitalise on these opportunities.

Demand for industrial land also remains positive. As I mentioned at the start, as the continued effects of the trade wars still at play, it has placed Malaysia on the radar of many investors, especially those looking to navigate around US import restrictions on China made goods. We have good prospects to tap into this opportunity going forward and continue to receive a steady stream of enquiries.

The performance of our airport segment is very much dependable on the extent of COVID-19 being contained in FY2021. We are hopeful that the aviation sector will improve on the back of a domestic demand-led recovery. It is vital that all stakeholders in the aviation sector work concertedly towards restoring public confidence in air travel, hence driving passenger volume upwards. Also vital to the recovery in the aviation sector is the development of travel bubbles and green lanes as well as the effectiveness of vaccines.

Q16: What are MMC's strategic priorities, please?

MMC will continue to create shareholder value through delivering operational efficiencies and maintaining a robust business model across the business divisions. This is a strategy that has served MMC well and we will continue to pursue this approach in FY2021 while ensuring the right balance between meeting present and future requirements. TCO and GRI initiatives will remain our priority for MMC going forward in order to maintain and sharpen our competitive edge in this challenging business environment.

Additionally, the Group's ongoing modernisation of its Enterprise Resource Planning software in line with digitalisation progress, has been one of the key efforts that we look forward to. The Board is in full agreement that digitalisation of the Group's businesses is a must towards ensuring efficiency and competitive ability. We will continue to drive its rollout in FY2021 while making further technology investments.

Last but not least, we will continue to yield synergistic value by leveraging on the strengths and capabilities of each business division and exchanging support as and when needed.

Ultimately, MMC stands ready and confident in fulfilling the essential infrastructure development and needs of the country towards achieving its vision and mission to develop a better future for Malaysia. We are focused on delivering value and will continue playing our fundamental role in nation building, as we have done for many years since our inception. The future is always challenging, yet it is also always promising with plenty of value creation potential for MMC and its stakeholders.

FINANCIAL REVIEW

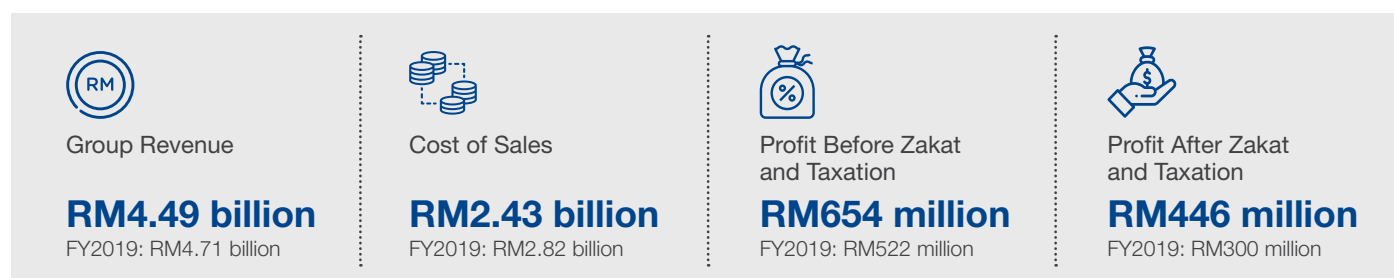
For Financial Year ended 31 December 2020 ("FY2020"), MMC Corporation Berhad ("MMC" or "the Group") continued to register growth in profits.

While revenue had declined marginally, largely attributed to the dampening effects of the Coronavirus Disease 2019 ("COVID-19") virus pandemic (and other external macro-economic factors), on the back of strategic efforts to yield cost and operational efficiencies, MMC saw its pre- and post-tax profits rise by 25.3% and 48.7% respectively in FY2020.

In FY2020, the Group's Profit Before Zakat and Taxation ("PBZT") stood at RM654 million, compared to FY2019's RM522 million. Profit After Zakat and Taxation ("PAZT") stood at RM446 million, significantly higher year-on-year than FY2019's RM300 million.

On the back of the aforementioned cost rationalisation and productivity optimisation measures, the Group's cost of sales had reduced significantly by 14% year-on-year to stand at RM2.43 billion (FY2019: RM2.82 billion).

GROUP FINANCIAL PERFORMANCE



REVENUE

As mentioned earlier, in FY2020, the Group's revenue declined marginally by 4.7% year-on-year to RM4.49 billion (FY2019: RM4.71 billion).

The decline in revenue were attributed to lower revenue recognition due to slower work progress achieved on the Klang Valley Mass Rapid Transit ("KVMRT") Putrajaya Line, lower passenger and cargo volumes at Senai International Airport and lower cargo volumes handled at Penang Port Sdn Bhd ("Penang Port").

All of the abovementioned were due to the disruption in business operations caused by the COVID-19 pandemic and the implementation of the Movement Control Order ("MCO").

The downward impact was cushioned however, by increased container volume handled at Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") and Northport (Malaysia) Berhad ("Northport") and land sales at Senai Airport City ("SAC").

Cumulatively, MMC's Ports and Logistics Division registered slightly higher revenue of RM3.25 billion, a 2.2% improvement year-on-year (FY2019: RM3.18 billion). The division's revenue was driven by higher container volumes, notably from PTP and Northport.

MMC's Engineering Division saw reduced revenue of RM1.15 billion, a decrease of 19.0% year-on-year compared to FY2019's RM1.42 billion. The MCO and subsequently, the Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") had initially led to work on a number of engineering projects being halted or when resumed at a slower pace due to the necessity of new COVID-19 Standard Operating Procedures ("SOP's") that impacted progress of works on projects.

The Energy and Utilities Division also posted reduced revenue of RM24 million, a decrease of RM3 million or 11.1% year-on-year (FY2019: RM27 million). The decline is attributed to completion of certain water treatment projects in the same year, hence lower contribution for FY2020.

FINANCIAL REVIEW

MMC's Investment Holding, Corporate and Others Division also posted reduced revenue of RM74 million, a 8.6% decrease year-on-year (FY2019: RM81 million). Revenue was impacted by the aforementioned MCO and the general slowdown in passenger and air cargo volumes in FY2020. Divisional revenue was cushioned by land sale at SAC.

GROUP EARNINGS

In FY2020, MMC's PBZT grew to RM654 million, compared with the preceding financial year's RM522 million, a 25.3% increase. MMC's PAZT stood at RM446 million, 48.7% higher, year-on-year (FY2019: RM300 million).

Growth in earnings was driven by increased profits from the Group's Ports and Logistics Division, completion of tunnelling works for the KVMRT Putrajaya Line by MMC's Engineering Division and the aforementioned SAC land sale. Earnings were also supported by reduced costs of sales including operating and administration expenses and finance costs.

Group earnings were partially offset by the absence of reversal of provision for the Double Track project recorded in FY2019, lower passenger and cargo volumes at Senai Airport Terminal Services Sdn Bhd ("Senai International Airport") and provision for impairment for discontinued project's receivables.

Profit attributable to owners of the parent company improved by 47.1% to end the year at RM375 million (FY2019: RM255 million). On the back of increased profits, earnings per ordinary share have risen by 46.4% to 12.3 sen (FY2019: 8.4 sen) for the financial year.



Profit attributable to owners of the Parent company

RM375 million

FY2019: RM255 million



Earnings Per Share (sen)

12.3 sen

FY2019: 8.4 sen

SEGMENTAL EARNINGS PERFORMANCE

As in previous years, MMC's Ports and Logistics Division remained the largest contributor to Group earnings. The division saw its PBZT increase by 35.9% or RM161 million, year-on-year to reach RM610 million (FY2019: RM449 million).

Higher earnings were driven from higher container volume handled, coupled with lower operating expenses for the division. In particular, PTP saw an 8.5% increase in throughput volume for FY2020.

Johor Port Berhad, despite seeing slight throughput decline in FY2020, also posted marginal revenue improvement to end the year at RM548 million (FY2019: RM540 million).

On the back of lower contribution from Malakoff Corporation Berhad ("Malakoff"), MMC's Energy and Utilities Division posted 1.8% lower PBZT year-on-year, posting RM161 million compared to FY2019's RM164 million. Divisional earnings were lower for the financial year due to absence of fair value re-measurement gain on existing interests in associates, absence of one-off gains arising from the disposal of investments or assets and lower daily utilisation payment ("DUP") from Malakoff's subsidiary company, Tanjung Bin Power Sdn Bhd.

However, the dip in the Energy and Utilities Division's earnings were cushioned by the full-year consolidation of contribution from Alam Flora Sdn Bhd, higher contributions from its associates, lower operations and maintenance costs, compensation received from the settlement agreement reached with contractor and absence of net impairment losses of Malakoff associate company, Kapar Energy Ventures Sdn Bhd.

Despite Aliran Insan Resources Berhad ("AIR Berhad") posting a decline in both revenues and earnings, the Company, which is part of the Energy and Utilities Division posted a 133% growth in its recycling plant operations. This was achieved on the back of AIR Berhad's successfully securing the 8.5 million litres daily ("MLD") water reclamation plant project. Further details are provided in the relevant section in the Operational Review section of this Annual Report.

This and other projects are expected to make a positive contribution to AIR Berhad's revenue and profit performance going forward.

FINANCIAL REVIEW

Despite lower revenue in FY2020, the Engineering Division posted higher PBZT of RM319 million, a 10.4% increase year-on-year (FY2019: RM289 million). The improved earnings was driven by higher progress of work achieved on the KVMRT Putrajaya Line, upon completion of tunnelling works on the said project. Earnings for the Engineering Division were partially offset by the absence of reversal of provision for the Double Track project recorded in FY2019.

Despite initial delays caused by the MCO and new SOPs, the division has adapted to new normal operating conditions to resume and expedite construction works. With this, all projects are now progressing on track as per the revised schedule. Barring any unforeseen circumstances, the division's projects will continue to see expeditious progress towards completion and with that stronger revenue and earnings recognition going forward.

On the back of reduced revenue, MMC's Investment Holding, Corporate and Others Division recorded a higher Loss Before Zakat and Taxation of RM437 million, a 15% increase compared to RM380 million in the preceding year.

Earnings were impacted by the aforementioned drop in passenger and cargo volumes at Senai International Airport as well as provision for impairment of a discontinued project's receivables, cushioned by sale of land at SAC and lower finance costs.

In FY2020, due to lockdowns, travel restrictions, border closures and other disruptive factors, passenger volumes had declined by 66%. Cargo volumes also had declined by 35%. Tenant occupancy rates in the airport had also declined. Consequently, both aero and non-aero revenues were impacted.

In response, the division has adopted various cost rationalisation measures, including deferring non-critical Capital Expenditure and optimising maintenance to the most pertinent aspect of operations. Efforts were also made to drive non-aero revenue. Further details are provided in the Operational Review section of the FY2020 report.

DIVIDENDS

In respect of the financial year ended 31 December 2019, MMC, on 26 June 2020, paid out a final dividend of 4.5 sen per ordinary share, amounting to RM137.0 million. For FY2020, the Group on 23 December 2020 paid out dividend of 1.5 sen amounting to a pay-out of RM45.7 million. On 1 April 2021, the Board of Directors has further approved and declared a dividend of 3.5 sen amounting to RM106.6 million in respect of the Financial Year ended 31 December 2020. With this, the total dividend for FY2020 is 5.0 sen per ordinary share.

ASSETS AND LIABILITIES

The Group's balance sheet position has improved turning from net current liabilities to net current assets. Assets continue to far exceed liabilities and the Group maintains sufficient cash to meet working capital requirements, service its debt and discharge all liabilities. MMC's assets position has at 31 December 2020 stands at RM26.11 billion (FY2019: RM26.45 billion). Net asset per share remain robust at RM3.12 while a strong net current assets position points to sufficient liquidity.



Total Assets
RM26.11 billion
FY2019: RM26.45 billion



Deposits, Bank & Cash
Balances and Other
Investments
RM2.80 billion
FY2019: RM2.41 billion



Net Asset Per Share
RM3.12
FY2019: RM3.07



Total Equity
RM10.30 billion
FY2019: RM10.11 billion



Total Borrowings
RM9.77 billion
FY2019: RM10.38 billion



Gross Gearing Ratio
1.17x
FY2019: 1.25x



Total Liabilities
RM15.81 billion
FY2019: RM16.34 billion



Current Ratio
1.09x
FY2019: 0.75x



Net Gearing Ratio
0.90x
FY2019: 1.01x

FINANCIAL REVIEW

Of note, MMC's borrowings have reduced by 6% to stand at RM9.77 billion as of 31 December 2020. The Group's net gearing ratio as of 31 December 2020 stands at 0.90 times (FY2019: 1.01 times). MMC has ample debt headroom for future strategic expansions and to fund merger and acquisition activities.

DEPOSITS, BANK & CASH AND OTHER INVESTMENTS

In FY2020, the Group has maintained its operational cashflow. The cash generated from operations had increased by 1% to RM2.31 billion (2019: RM2.26 billion) mainly due to improved working capital management. The Group recorded net cash from operating activities of RM2.18 billion in FY2020 (2019: RM2.26 billion). Net cash used in investing activities had also seen a further expansion on the back of additional placements in various highly liquid short-term investments for yield enhancement.

OUTLOOK AND PROSPECTS

While operating conditions are expected to remain challenging, FY2021 is expected to be a recovery year for the global economy, with positive forecasts of *5.5% for global Gross Domestic Product growth predicted.

Recovery will be driven by the dual impact of the global dissemination of vaccines, which will enable a reopening of economic sectors, instilling much-needed consumer and investor confidence towards expediting a progressive return to pre-COVID-19 operating scenarios.

As confidence returns, the impact of pent-up demand, will also be a factor, in driving the momentum in recovery. Global trade may also improve on the back of a thawing in the present trade war between the US and China.

With this, MMC maintains a positive outlook for FY2021. Its port operations have remained robust during a severe economic downturn and will benefit from the pick-up in trade and commerce across the world. The various cost and operational efficiencies realised in FY2020, will hold MMC's ports in stronger stead to be more competitive and resilient going forward.

In the same vein, the Group's Energy and Utilities Division will also benefit from expected increased consumption of energy and gas on the back of the pick-up in industrial and commercial activities. Opportunities abound in the renewable energy segment where Malakoff's footprint continues to grow, notably for solar based projects.

The continued expansion of Gas Malaysia Berhad's gas distribution pipeline network will enable it to secure more customers going forward. New business ventures in Combined Heat and Power as well as Virtual Pipeline will enable diversification of revenue streams.

AIR Berhad will look to tap opportunities in non-revenue water management and water reclamation projects.

The Group's Engineering Division will focus on completing its projects in hand and delivering on its order book of projects which is anchored by the by KVMRT Purajaya Line. It will look to replenish its order book on the back of new contracts secured and to that effect, will continue to aggressively tender for new projects. Budget 2021, which allocates increased development expenditures underpinned by new and revived, large-scale infrastructure projects, offers suitable bidding opportunities for the division.

Outlook for the MMC's Investment Holding, Corporate and Others Division is also expected to be positive as the gradual uptick in economic activities in FY2021 fuels a recovery in the aviation sector, as well as drives increased investor interest for industrial land.

Further details on the Group's Outlook and Prospects is provided in the Strategic Review section of this Annual Report. Information pertaining to the strategic priorities and business orientation of each business division is provided in the Operations Review section of this Annual Report.

*Source: Bank Negara Malaysia, Department of Statistics Malaysia, The World Bank

VALUE CREATION STATEMENT

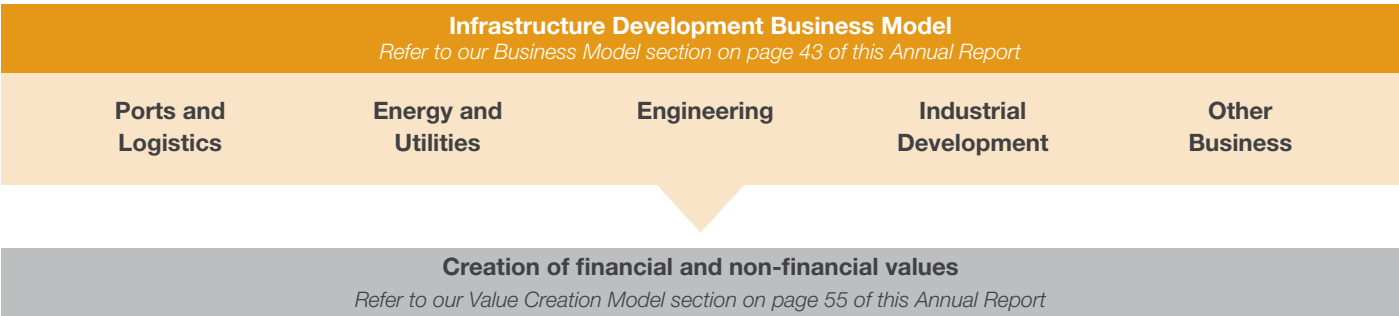
VALUE CREATION FROM MMC PERSPECTIVE

MMC’s approach to value creation is driven by its vision, which is to be a Premier Utilities and Infrastructure Group. This vision that serves as our business purpose is premised on the fact that the development of large-scale infrastructure in Malaysia and internationally creates sustained positive financial and non-financial values for diverse shareholders and nation.

In essence, infrastructure development is a business that generates significant positive values, with tremendous multiplier effects across supply chains and communities over the short, medium and long-term horizons.



Beyond the value creation potential in infrastructure development, MMC’s continued choice to focus on infrastructure development is driven by various supportive external and internal factors that together, provide a conducive environment for the Group to expand its presence in its chosen industries. The chosen industries are Ports and Logistics, Energy and Utilities, Engineering, Industrial Development as well as other businesses.



VALUE CREATION STATEMENT

EXTERNAL SUPPORTIVE FACTORS

Malaysia, as a fast-growing developing nation requires significant, sustained infrastructure development to achieve the developed nation status. Investments into infrastructure are required across a wide range of sectors to spur socio-economic growth and to drive nation building. This includes realising aspirations for a knowledge-based economy, upscaling local industries across the value chain, creating high-income jobs and highly skilled talent, improving quality of life and ushering various other benefits.

In realising the above, Malaysia requires continued infrastructure development in key areas such as urban rail transportation, energy generation, roads and highways, water and gas pipelines, wastewater treatment systems, ports and more. This backdrop provides a conducive environment for infrastructure development players such as MMC, though the external environment remains highly challenging, notably in FY2020.

In addition, barring the last financial year which was impacted by the Coronavirus Disease 2019 (“COVID-19”) pandemic and a slowdown in public sector expenditure, Malaysia’s investments into infrastructure remained relatively stable over the past decade.

INHERENT STRENGTHS AND PROVEN EXPERTISE

The second factor that supports MMC’s business model is intrinsic to the Group itself; that is the Group’s vast, long-standing and proven expertise and experience as a large-scale, turnkey infrastructure specialist. This includes niched engineering and construction capabilities to successfully conceive, build, manage and operate strategic assets such as ports, bridges, power plants, airports, highways, mass rapid transit train systems, water treatment plants, gas pipelines and others.

The Group is also able to leverage on its strategic global network and local technology partners as well as financial partners to provide a complete solution for clients. The business focus remains on synergising its experience, expertise, technology, assets and business know-how from across its business divisions towards delivering integrated, one-stop infrastructure solutions to meet the infrastructure needs of Malaysia and the region.






Kindly refer to our Business Strengths and Competitive Advantages section on page 46 of this Annual Report for specific information on each of the Groups’ identified business strengths.

DRIVING VALUE CREATION

The external context and the Group’s inherent value proposition provide the impetus for MMC to expand its infrastructure development business model in Malaysia and internationally; within the industries it has chosen to operate in.

Values created are very much aligned to the 5P philosophy of People, Prosperity, Planet, Partnership and Peace as well as the UNSDGs.

VALUE CREATION STATEMENT

| 5PS | MMC's Contribution to Value Creation |
|--|--|
|  PEOPLE | <p>MMC employs 15,494 people, across its business divisions and operating companies – providing a wide range of highly skilled employment for knowledge workers, as well as other forms of employment.</p> <p>Aside from providing a livelihood, MMC's business model spurs the development of local talent and enables knowledge and skills transfer, helps prevent brain drain (caused by an exodus of skilled talent due to lack of opportunity) and also paves the way for Malaysians to move up the skills value chain. This in turn supports the realisation of a high-income nation.</p> <p>Going further, through its business divisions, MMC indirectly generates the creation of thousands of jobs through the development of local value chains.</p> |
|  PROSPERITY | <p>In FY2020, MMC generated Revenue of RM4.49 billion with Profit Before Zakat and Tax of RM654 million. The Group paid out RM208 million in taxes and zakat, and RM230 million in dividends. Employees received RM862 million in salaries, bonuses and benefits in FY2020.</p> <p>The Group's key projects and operations have, in turn, served to generate tremendous socio-economic growth for local communities and the nation.</p> <p>The trade and economic development that MMC's ports facilitate, its highways and other infrastructure, the electricity generated and the travel and tourism made possible through the Group's airport operations unlock tremendous economic potential. Ultimately, MMC contributes to a more prosperous nation as communities, families and even regions are uplifted.</p> |
|  PLANET | <p>In FY2020, heeding the global call towards more sustainable forms of value creation, MMC through its associate, Malakoff has ventured into renewable energy, waste management and environmental services. Kindly refer to Strategic Profile and Value Chain section for more information.</p> <p>Across the Group, MMC continues to pursue a policy of managing its environment footprint by taking into account its utilisation of natural resources, environmental impacts due to emissions and other outputs produced from business processes as well as improved management of waste.</p> |
|  PARTNERSHIP | <p>MMC continues to encourage its operating companies to work collaboratively to seek opportunities to leverage on the value propositions of each other.</p> <p>The Group also continues to cascade its strong stance of corporate governance and integrity across its supply chains. Progressively, vendors and contractors are being aligned to MMC's corporate values and philosophy, with the Group increasingly becoming a force of positive change for a more equitable, just and high-performing corporate Malaysia.</p> |
|  PEACE | <p>The wellbeing of employees and the community remain at the heart of MMC's business philosophy. The Group continues to engage stakeholders through various channels towards creating win-win, mutually beneficial outcomes over the short, medium and long-term perspectives.</p> <p>In FY2020, increasingly stakeholder views are being embedded within business strategies, policies and action plans towards ensuring that the voice of the people and their concerns and interests have been safeguarded towards ensuring peace and justice.</p> <p>We remain committed to equitable development, focusing on ensuring that the fruits of our progress and success benefit all stakeholders. We continue to ensure that all segments of society reap the benefits of socio-economic progress and can enjoy the fruits of prosperity.</p> |

BUSINESS MODEL

MMC's business model is centred on achieving the following:

- Enabling the Group to operate as a strategic and effective infrastructure developer across multiple sectors and industries
- Enabling the Group to hold strategic positions within the respective business sectors or industries in which it operates in; almost all of which are key sectors for economic activity and growth
- Harnessing and unlocking synergistic business and operational capabilities towards delivering integrated, one-stop infrastructure solutions, hence strengthening its value proposition

By achieving the above strategic objectives, MMC business model enables the following strategic advantages:

- Provides the Group with a measure of insulation against upheavals or changes in the external macro-operating environment. For example, Coronavirus Disease 2019 ("COVID-19") disrupted a wide range of business sectors especially airport, but power generation and port and logistics operations remained stable
- Multiple sources of revenue comprising recurring and on-recurring revenue streams
- Key players to facilitate the economy recovery and the first to feel the effects of the recovery
- The generation of other competitive advantages or business strengths that the Group can leverage on to create financial and non-financial values. Refer to the Business Strengths section of this annual report for detailed description of these business strengths/competitive advantages

Following is a visual depiction of the Group's business model. Diversified revenue models are employed towards generating recurring and non-recurring revenues and to ensure the sustainability of the Group's operations within its selected industrial sectors.



BUSINESS MODEL

A significant portion of the Group's business revenue is concession based; with stable chargeable tariffs over a stipulated contracted period. The Group has concession business for a wide range of its business segment ranging from ports to electricity and utilities. Based on the aforementioned business model, the Group allocates resources based on the outlook and future prospects for each industrial sector. The business model continues to evolve and improve in tandem with fast-changing business environment.

GROUP CONTROL AND INFLUENCE OVER OPERATING COMPANIES

The Group adopts a reasonable level of control over their business operations of its subsidiaries. MMC operates on a business ownership model whereby businesses acquired being driven and managed actively by the Group and the operating companies. In essence, businesses acquired are operated by the operating companies itself together with the Group's support and control, leveraging on a combination of internal and external expertise.

While operating companies are provided ample flexibility to plan their business strategies and action plans, these must be aligned with the Group's vision and mission and where possible, contribute to the creation of business synergy

INVESTMENT MODEL AND MEASURING RETURNS

MMC pursues opportunities that are value/earnings accretive, where expected returns must exceed the cost of capital. The securement of capital by the operating companies must be justified via robust and sustainable cashflow, underpinned by a strong revenue model and effective risk mitigation.

The investment mandate is based on achieving a strategic balance between short-term projects that offer quicker but smaller returns with large-scale projects that have a longer gestation period, but will yield larger returns over a longer period.

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

ENHANCED BUSINESS MODEL: TOWARDS GREATER OPERATIONAL SYNERGY

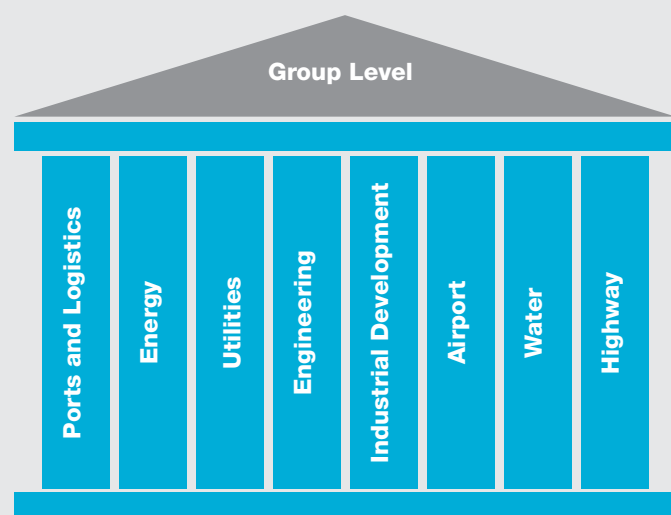
MMC continues to leverage on the combined expertise of its business divisions and operating companies towards harnessing synergy; the creation of a unique value proposition that enables the Group to enhance a competitive edge and value proposition amidst a dynamic, complex and constantly evolving external environment.

As clients and project requirements increase in complexity, especially with regard to work scope outside of Malaysia, the Group adopts a double-pronged strategic approach. We look to forge partnerships with proven technology or knowledge partners across the globe and at the same time encourage and facilitate cross-sharing of internal knowledge and expertise.

BUSINESS MODEL

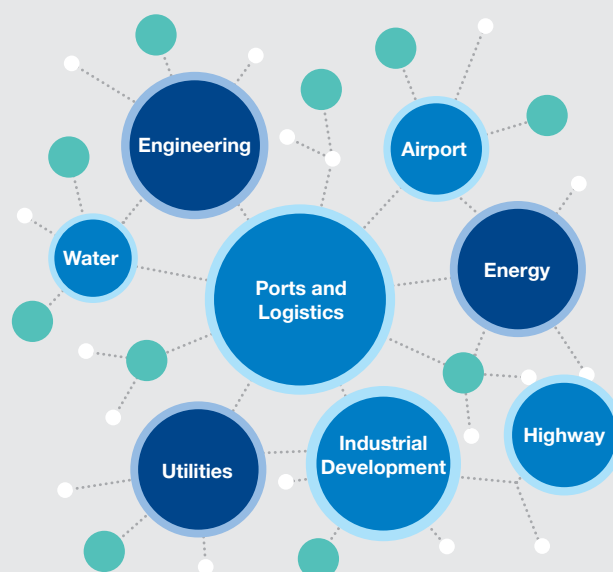
CONVENTIONAL APPROACH

Limited prospects for cross sharing and synergy. Differing or diverging interests between operating companies can lead to separate agendas that may weaken synergistic potential.



SYNERGISTIC APPROACH

Dynamic business relationships between business divisions and operating companies towards unlocking new capabilities and competitive ability. Operating companies may leverage on the strengths and capabilities of each other towards achieving strategic, long-term and sustainable business objectives. The Group can leverage on its multi-divisional competencies to incept projects within the Group, or to bid for more complex but lucrative external projects in Malaysia and abroad.



VALUES CREATED THROUGH STRATEGIC SYNERGY

MMC's continued efforts have yielded results with several synergistic opportunities emerging. The ability of the engineering division to source for projects incepted within the Group, has provided a measure of insulation during a slowdown in large scale infrastructure projects as evidenced in FY2019 and FY2020. Engineering is also constructing gas pipeline under Gas Malaysia, which is 30.9% owned by the Group.

Synergy has also been evident between MMC Ports and MMC's water operations, Aliran Ihsan Resources Berhad with the latter lending its non-revenue water and wastewater treatment expertise to support port operations, notably at Johor Port.

MMC's port operations benefit from a strategic tie-up with MMC's logistics operator, Kontena Nasional Berhad, which enables all five ports to offer a one-stop solution to their customers. The five ports within MMC Ports also collaborate towards providing shipping solutions that are more comprehensive and cost effective for shipping liners and customers.

There are growing opportunities for further synergy, though presently the Group has yet to fully realise this potential.

It is important to note though that as MMC encourages synergy and to incept projects internally, the approach must be conducted in a competitive and fair manner. Any bidding for projects within MMC's group is done through arm's length with proper governance in place to ensure a clear win-win outcome is achieved by all parties.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

MMC's business model enables the Group to derive a set of business strengths and competitive advantages in its value creation. This unique set of strengths and advantages are further enhanced by leveraging on operational strategies and excellence. The Group's operating company constantly leverage on their respective strengths and competitive advantages to continuously improve and leverage market share.

MMC further solidifies its position as one of Malaysia's premier utilities and infrastructure player via the constant pursue and development and a wide range of specialised infrastructure development projects.



FOOTPRINT IN MULTIPLE BUSINESSES

- The Group has a diversified business presence, spanning a wide range in strategic and essential business sectors
- By occupying dominant or key positions in its respective value chains, MMC is optimally positioned to ensure the realisation of strategic objectives and the very execution of business plans and goals



BUSINESS AND OPERATIONAL SYNERGY

- The Group is able to leverage on its many operating companies' resources and competencies to offer integrated solutions or offerings
- Synergy can be generated and harness when projects/business opportunities can be identified and executed within the Group itself



BALANCED MIX OF BUSINESS PORTFOLIO WITH RECURRING INCOME

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



STRONG ASSET AND FINANCIAL BASE

- The Group's robust financial position allows it to efficiently source for capital and subsequently fund development and projects in order to continuously enhance shareholders' value



PROVEN EXPERTISE AND TRACK RECORD

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



HIGHLY EXPERIENCED AND PROFESSIONAL WORKFORCE

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



GOOD MARKETPLACE PRACTICES AND CORPORATE GOVERNANCE

- The Group's commitment towards accountability, transparency and good governance has further strengthened the organisation's business model and organisational structure and at the same to safeguard shareholder and stakeholder interest



STRONG PROJECT MANAGEMENT EXPERTISE

- Our credible reputation built on impeccable track record of successful project coordination and management ensures that the Group continues to be at the forefront of invitation to participate in major tenders for infrastructure developments

RISKS AND OPPORTUNITIES







MMC defines risk as any material development that would prevent the realisation of set objectives. Opportunities are defined as arising positive prospects that support actual or potential value creation.

MMC categorises risk into business, operational, strategic and external risks and these risks are assessed from the perspective of severity and likelihood of impact to the business model, availability of capitals or resources, market demand and supply (customer appetite), business operations and processes and subsequently, business and operational performance and value creation.

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

Similarly, opportunities are categorised as new potentials that bolster or solidify the Group's business model and operations and enhances value creation. The following table provides a concise view of the Group's key risks and opportunities, the impact or perceived impact to the MMC business model as well as affected stakeholders, aside from MMC. Specific mitigation measures are also provided.

STRATEGIC RISKS







| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|--|--|---|---|---|
| Viability of new and current investments | Risks relating to or arising from market uncertainties or poor management that may result in impairment in values or lower than anticipated returns on investments |    | <ul style="list-style-type: none"> Establishing the FIRC to evaluate all new investments prior to Board approvals Conduct due diligence on all new investment ventures including assessment on specific risks related to selected investments Conduct audits and regular financial reporting and monitoring Management representation at invested entities' Board level | <ul style="list-style-type: none"> Shareholders Bankers and Investors |
| Sudden changes in Government policies and project implementation | Risks related to or arising from revision in Government policies, regulations or decisions, which may impact present or future business operations or projects |    | <ul style="list-style-type: none"> Keeping abreast on changes in policy and regulations via close engagement with relevant authorities and regulatory bodies Deployment of resources to adapt to any changes i.e. setting up committees and task force | <ul style="list-style-type: none"> Bankers and Investors Shareholders Government Regulators and Policy Makers |

*Legend







RISKS AND OPPORTUNITIES

STRATEGIC RISKS








| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|---|--|--|--|--|
| Business sustainability | Risks relating to or arising from the company ability to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and equity |    | <ul style="list-style-type: none"> The risk exposure for every Company in the Group is closely monitored at Group level and at the respective operating companies Continuous monitoring on the Company's financial performance Active participation in local and international tenders and projects Close engagement with relevant customers, authorities and regulatory bodies | <ul style="list-style-type: none"> Bankers and Investors Shareholders Customers Government Regulators and Policy Makers |
| Market liberalisation in energy and utilities sectors | Risk relating to or arising from the change of Government's policies and/or initiatives to liberalise the industry and market, as well as to curb the monopolisation by opening for greater participation from new potential players to encourage further economic development |    | <ul style="list-style-type: none"> Keeping abreast on changes of new policy and regulations via close engagement, communication and connection with relevant authorities and regulatory bodies Maintaining good relationship with various stakeholders to get the latest update on changes and provide feedback or solution for better execution Deployment of relevant resources in order to proactively react and adapt to any changes i.e., setting up special committees and task force Strong support services and good relationships with customers, suppliers, and other relevant stakeholders in maintaining the business and market share | <ul style="list-style-type: none"> Bankers and Investors Shareholders Customers Government Regulators and Policy Makers |

RISKS AND OPPORTUNITIES




OPERATIONAL RISKS

| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|--|--|---|---|--|
| Business disruption due to pandemic/epidemic disease | Risks relating to the rapid spread of infectious disease or virus that may pose a global threat (pandemic) within the community (epidemic). This can lead to social and economic chaos, severely upset business operations by disrupting the supply chain, and public health. This may impede the organisation's ability to deliver services and commitments to stakeholders |     | <ul style="list-style-type: none"> The Group adopted the preventive and precautionary health and safety measures which have been implemented and executed to ensure the safety and the well-being of MMC employees, and relevant communities. This includes the distribution of face masks, hand sanitizers, temperature screenings, regular advisory on social distancing, implement "Split Team Working" arrangement, and Coronavirus Disease 2019 ("COVID-19") screening related test as and when required Established and implemented Pandemic Response Plan ("PRP") and procedures to respond to the pandemic event in the organisation, and to prevent the spread of the disease among the employees. The Business Continuity Plan is in place to recover and continue the services if the pandemic situation can disrupt the business Issued a regular Group COVID-19 status update and advisory on weekly basis Close engagement and communication with relevant authorities and regulatory bodies especially about the latest Standard Operating Procedures and pandemic action plan | <ul style="list-style-type: none"> Employees Customers Local Community Suppliers |

RISKS AND OPPORTUNITIES

| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|---|--|---|---|--|
| Cyber security risk | Risks relating to or arising from deliberate or organised attacks to the organization's IT systems and infrastructure by the external cyber attackers or internal irresponsible individuals. This attack led to unauthorized access to company sensitive data and information, compromising the security of system and infrastructure performances, expose the loss of data for criminal objectives and to tarnish the company's reputation among the stakeholders |   | <ul style="list-style-type: none"> Established and executed Information Technology ("IT") policy and procedure to govern cybersecurity implementation in ensuring the critical data and system of MMCB is adequately protected. These documents are being enforced on all users in the organization. There are dedicated personnel to manage the IT security scope of work, and the specific security tools are being implemented to detect, monitor, and prevent cyber threats Disaster recovery exercises are conducted twice a year to assess the robustness of the main systems and their server availability in the event of system disruption System health checks are being conducted on a half-yearly basis to ensure that the latest security patches are being updated to all the IT systems and assets. This to ensure that no security flaw can allow any malicious code and attack into the company system and network | <ul style="list-style-type: none"> Customers Employees Other Stakeholders |
| Accidents/ mishaps resulting in injuries, fatalities or environmental/social impact | Risks relating to or arising from unsafe working conditions or act by MMC employees or contractors can lead to major injuries and fatality incidents during operation. Major non-HSE compliance and poor performance can lead to revocation of a permit to operate and financial penalty by the authorities, sue by the affected stakeholders |      | <ul style="list-style-type: none"> Continues to ensure that all business operations by operating companies are in line and comply with the HSE standards set by respective and relevant authorities Established the committees to closely monitor the company's HSE performance and report to the management periodically Instilled HSE culture and best practices among all employees and contractors such as conducting regular | <ul style="list-style-type: none"> Employees Local Communities Government Regulators and Policy Makers |

RISKS AND OPPORTUNITIES

| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|---|--|---|--|---|
| | and tarnish the business reputation in the market | | <p>HSE awareness programs and training to ensure they are very serious in complying with all HSE standards and guidelines set by the company. The penalty system should consider being introduced to improve the HSE performance either by the employees or contractors' workers</p> <ul style="list-style-type: none"> Practice HSE risk management to ensure the risks are being identified and controls are in place to manage HSE risks in the organisation | |
| Talent management and succession planning | Risks arising from lack, or non-existence, of proper and effective talent management, training needs analysis, succession planning as well as provision for training and development |    | <ul style="list-style-type: none"> Formation of Talent Selection Committee to facilitate talent review exercise and decide on the selected talent management programme Implementation of various development programmes for all categories of employees | <ul style="list-style-type: none"> Employees |

EXTERNAL RISKS

| RISK | DESCRIPTION OF RISK AND IMPACT | CAPITALS IMPACTED | BUSINESS MITIGATION MEASURES | OTHER IMPACTED STAKEHOLDERS |
|------------------------|--|---|---|-----------------------------|
| Stakeholder Management | Risks relating to or arising from inability to manage stakeholders properly, adequately and timely |  | <ul style="list-style-type: none"> Regular engagements with stakeholders through company resources, capabilities and reach to attain better outcomes for communities and the environment e.g. Corporate Social Responsibility ("CSR"), which consists of company driven strategic initiatives centred on education and community development, human capital development and environmental preservation Regular monitoring and reporting of stakeholder engagements and activities | All stakeholders |

OUTLOOK AND PROSPECTS

Despite the challenging macro-economic landscape, brought on by the prolonged effects of the Coronavirus Disease 2019 (“COVID-19”) pandemic and other economic factors, MMC remains positive of its prospects.

FY2021 is expected to be a recovery year for the global economy, though challenges are expected to persist, especially given the continued lingering effects of the COVID-19 pandemic. The speed and effectiveness of vaccine dissemination worldwide will be a pivotal factor in determining the pace of global and domestic economic recovery.

Beyond this, other prevailing issues such as the ongoing US-China trade war, volatility in crude oil prices will also weigh in on the momentum of recovery in trade and commerce. It is likely that the second half of FY2021, will see a more pronounced uptick in global trade and economic activity as lockdown restrictions are gradually removed and with that, the recovery in industrial sectors and consumer consumption. There may be a possibility of a strong rebound in consumption activities (which will drive business activities) on the back of pent-up demand for goods and services, including air travel, recreation and entertainment, tourism and more.

By holding strategic positions in various essential industries value chains such as ports and logistics as well as energy and utilities, the Group's business divisions and operating companies can be assured of continued business activity and subsequently, cashflow going forward.

Ports being the gate for import and export trade, are one of the first to feel the effects of any pick-up in economic activity. The importance of ports in driving global trade cannot be denied and hence, MMC's five ports provide the Group with a strong revenue base even during periods of slower economic activity.

The same applies to power generation and utilities such as water and gas, all of which are necessary and continue to be consumed even during an economic slowdown, though the rate of consumption may be relatively less.

With the growing concern on climate change, there is increasing awareness on environmental, social and governance matters, being equal to financial performance. This has resulted in a continued paradigm shift in the way Governments, industries and businesses now have to operate and manage resources.

The resulting mindset change has led to new emerging opportunities, particularly in the area of Renewable Energy (“RE”), environmental services, waste management, recycling, preservation of resources and more.

MMC, through Malakoff has developed expertise in renewable energy projects in Malaysia and internationally. This includes solar, wind and hydro projects, which can be tapped towards growing our renewable energy portfolio going forward.

On a related note, Malakoff is expanding the Group's footprint in the renewable energy sector via its entry into the waste management and environmental services, a high potential sector. In Malaysia, as well as Southeast Asia (“SEA”), environmental services sector and waste to energy solution are largely untapped markets with a considerable potential for growth going forward. Both environmental service and waste to energy will also provide additional recurring income streams for MMC.

With regard to engineering, despite the slowdown in large-scale projects in Malaysia, the Group remains positive with market recovery in the medium and long term as Malaysia and SEA continue to have a need for such infrastructure. The region remains infrastructure hungry to meet the needs of a growing population base. This includes improved roads, bridges, rail systems, pipelines, maritime ports, airports, power stations and other infrastructure.

No doubt, COVID-19 and other external factors have impacted the economy across the world. However, as nations continue to adjust to the new normal scenario and take necessary preventive measures, the impact of this pandemic over the long-term should be less severe, especially with the advent of vaccine to eliminate the virus. The present slump in consumption, investments and prevailing investor's and consumer's pessimism will eventually give way to a rebound in economic recovery, accelerated by pent-up demand.

The following are MMC's key strategic priorities for FY2021. These have been identified as being relevant to the Group's future business orientation and its strategies going forward:

OUTLOOK AND PROSPECTS

| STRATEGIC PRIORITY | SPECIFIC STRATEGIES AND ACTION PLANS | IMPACT TO BUSINESS MODEL AND VALUE CREATION |
|--|---|--|
| Focus on existing business sectors, Developing a balanced portfolio mix | <p>The Group will continue to focus on niched sectors where it has proven capabilities and competitive advantage. These include ports and logistics, energy generation, engineering and construction works for niched infrastructure projects as well as water and wastewater treatment operations and airport operations</p> <p>The Group continues to source for suitable acquisition targets via outright purchases or via mergers and acquisitions. New business ventures or acquisitions will be skewed towards businesses that provide recurring income over the medium and long-term</p> <p>The goal will be to establish a comprehensive portfolio of developed, matured, semi-matured and greenfield projects, i.e. operational infrastructure assets that will generate sufficient retained earnings to meet the required equity for new projects and greenfield opportunities</p> <p>Strategy reviews and investment appraisal exercises will continue to be conducted to evaluate business cases and balancing the risks and returns of prospective investments and ventures</p> <p>Separately, given the present economic scenario, the strategic focus will be to improve cost efficiency and optimise productivity</p> | <p>While the acquisition of new businesses may impact the Group's financial base in the short run, it will be value accretive over the medium to long-term and will ensure sustained revenue and cashflow and improved earnings</p> <p>The continued emphasis on cost and process efficiencies will enable a more resilient, competitive business model to emerge, thereby sustaining MMC during the expected challenging FY2021 operating environment</p> |
| Harnessing greater business/ operational synergy | <p>MMC will continue to leverage internal Group expertise to inception projects based on a revenue sharing model between operating companies</p> <p>The focus will be on developing formalised avenues within the Group for operating companies to pursue synergistic opportunities as opposed to present ad-hoc and unstructured approaches</p> <p>Efforts to nurture and strengthen MMC Group's shared organisational culture will be intensified. The objective would be to foster closer rapport and communication among operating companies, which in turn promotes intercompany engagement and dialogue</p> <p>In addition, a key focus area is the development of a shared mindset that promotes operating companies to understand the "bigger picture" and look beyond their own operations (transcending the silo like work culture)</p> | <p>By emphasising synergy, the Group continues to create its own eco-system as projects are generated from within to support operating companies</p> <p>There will be increased cross-sharing of opportunities and expertise, enabling the Group's business model to be more competitive when bidding for contracts</p> <p>The business model's capability of offering one-stop, turnkey solutions is strengthened</p> |

OUTLOOK AND PROSPECTS

| STRATEGIC PRIORITY | SPECIFIC STRATEGIES AND ACTION PLANS | IMPACT TO BUSINESS MODEL AND VALUE CREATION |
|---|---|--|
| Developing “green” businesses | <p>Aside from the expansion into Renewable Energy (“RE”) and environmental services, MMC continues to seek more environmentally sustainable businesses</p> <p>Separately, the Group will continue to review and improve on its environmental and social impacts across all business divisions and operating companies, towards improving Environmental, Social, and Corporate Governance (“ESG”) performance</p> | <p>MMC foresees in the medium to long-term, a change in the energy division’s portfolio mix, with an increased RE portfolio going forward</p> <p>Improvements in ESG will enable the Group to attract more investors as well as obtain greater access to financing</p> |
| Overseas expansion | <p>COVID-19 may have impacted the Group’s overseas expansion strategies in FY2020, but its appetite to grow outside of Malaysia remains intact</p> <p>Specific strategies in support of this includes sourcing for a global partner to augment the Group’s technological expertise, a financial partner to provide project financing and a local joint venture partner</p> <p>The Group will leverage on the private financing initiative strategy to present attractive bids for projects across SEA and Asia</p> | <p>From overseas expansion strategies, the revenue contribution from outside Malaysia will increase</p> |
| Pandemics Measure and Control | <p>The Group continues to strengthen its business continuity plan to address the COVID-19 pandemic</p> <p>Stringent Standard Operating Procedures as well as safety and precautionary measures have been developed and continue to be refined towards ensuring compliance with regulatory authorities, while ensuring minimal disruption to business activities</p> <p>The Group has updated its Risk Register to include pandemics as a risk threat for FY2020 and beyond accompanied with suitable mitigation strategies</p> | <p>No business has been spared the effects of COVID-19. This includes reduced ability to operate, reduced consumption demand for goods and services and reduced supply of raw materials for production and business activities</p> <p>While the Group’s business performance has been affected, MMC business model itself is resilient to the impacts</p> <p>Business performance is expected to maintain the positive growth trajectory in the medium and long-term</p> |
| Upholding the highest levels of corporate governance | <p>Corporate governance remains a key priority for MMC going forward. Corporate governance provides the basis for a high-performing organisation and sets the standard for business conduct</p> <p>The Group aims to further strengthen its existing high standard of corporate governance practice towards further improving business performance with the inclusion of key material topics such as occupational health and safety, environmental matters, ethical workplace behaviour and supply chain, coming under direct oversight of the Board of Directors</p> | <p>Changes will be more at the operating level with enhancements made to work processes, organisational culture and further embedding of good corporate governance across all operating companies</p> |

VALUE CREATION MODEL

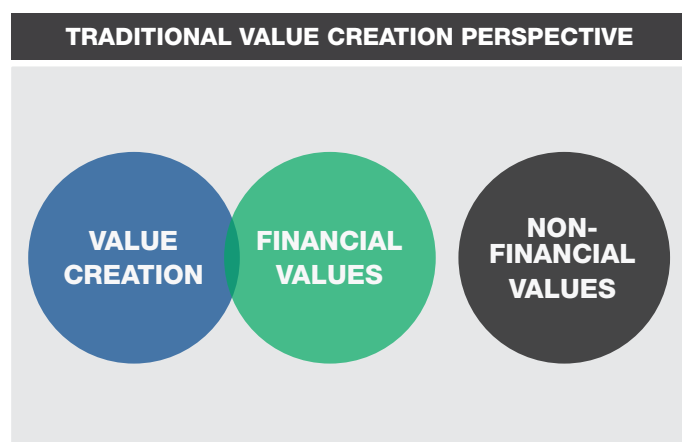
MMC remains driven and committed towards sustainable value creation for its shareholders. This is achieved via focusing on earnings accretive activities that not only improve MMC's valuation but also translates into higher dividend payout potential. However, beyond financial values, as the Group executes its business model, it creates a wide range of financial and non-financial values for diverse stakeholders. These stakeholders comprise shareholders, employees, the Government, industry regulators and policy makers, bankers and investors, customers, suppliers and industry peers/partners, the media and local communities.

The Group's value creation model illustrates how it utilises a wide range of capital resources, beyond financials and how via its business model, these capitals are transformed to deliver tangible, positive benefits and outcomes to the stakeholders. The outcomes extend beyond financial results, but also include a wide range of tangible and intangible values created, which have a cumulative or cascading positive effect across time.

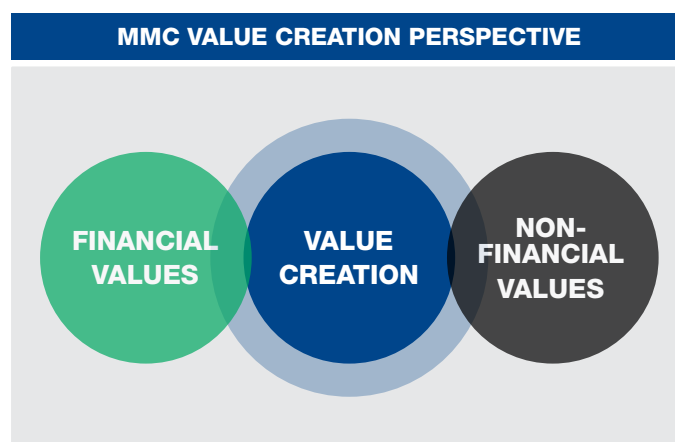
In terms of value creation, the focus, going forward is to achieve strategic balance between the perpetual creation of financial and non-financial values. This would call for establishing clear linkages between financial and non-financial capitals as well as financial and non-financial values.

For example, how would greater focus on improving the health and safety for employees and workers translate into increased operational and business productivity and thus, increased cost savings or profits? Would significant investments in renewable energy enhance the sustainability of the Group's energy operations, thereby securing its long-term future?

Driven by these questions, MMC sustains a steady pace as a for-profit business entity that simultaneously creates positive, non-financial values that benefit stakeholders and ensures the sustainability of the business model. This includes replenishment of capitals consumed and reduced environmental impacts, where possible.



Traditional value creation perspective where financial performance and non-financial performance are opposite to each other and only financial performance is given due recognition as value created.

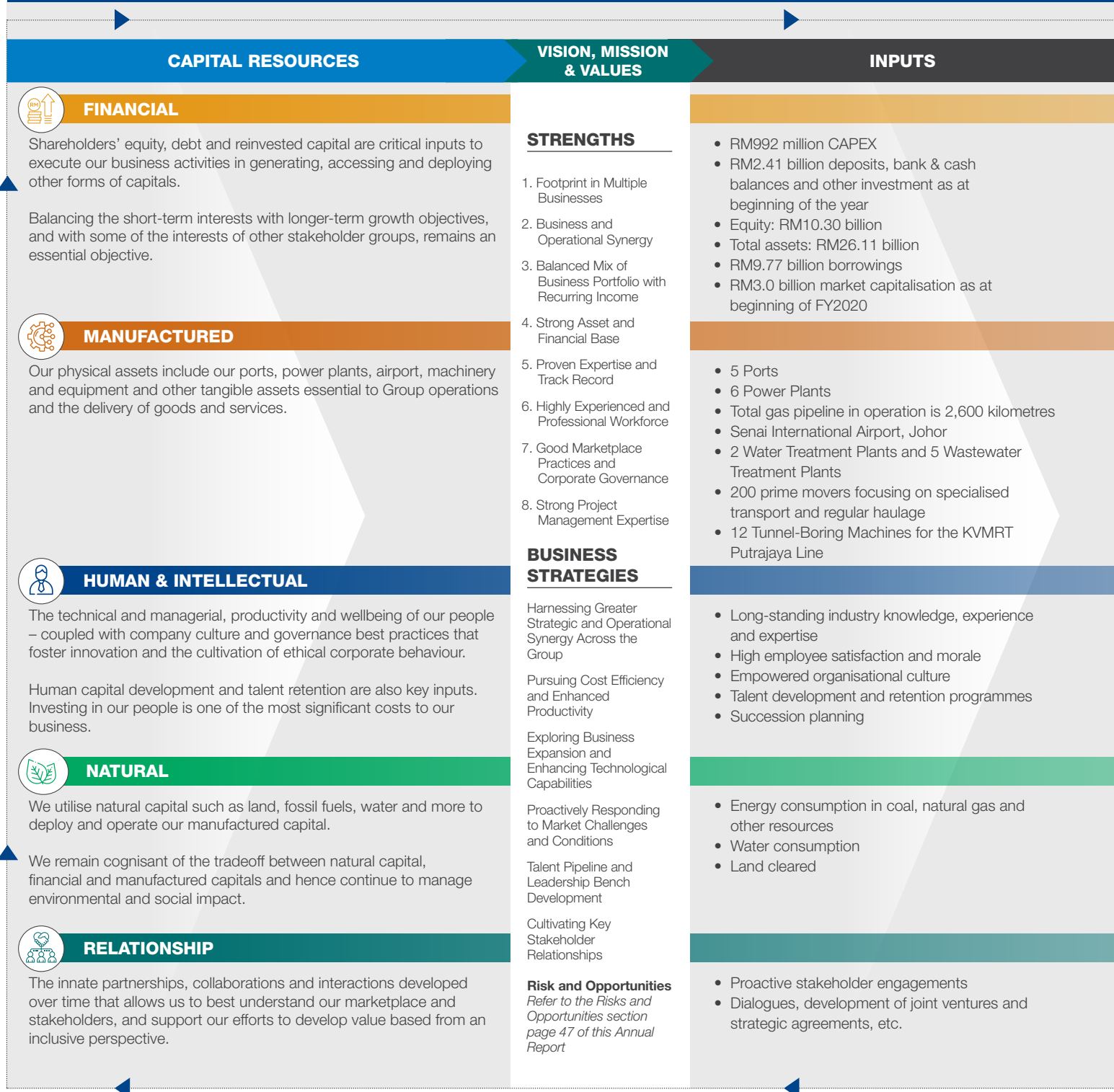


MMC's value creation perspective where both financial and non-financial performance are measured across a triple bottom line based on its impact on the Group and stakeholders over the short, medium and long-term perspectives.

VALUE CREATION MODEL

MMC Value Creation Model

OUR VISION > To Be A Premier Utilities and Infrastructure Group



VALUE CREATION MODEL

OUR MISSION > Excellence In Our Core Business Segments

OUTPUTS AND OUTCOMES

- RM4.49 billion revenue
- RM654 million in profit before taxes
- RM152.3 million in dividend payout
- RM2.74 billion market capitalisation as at end FY2020

- 14.9 million TEUs of total container volume and 34.8 million FWTs of total conventional volume
- 39,483 GWh of gross electricity generated
- 1.09 million airport passenger movements and 254,454 cruise passenger movements
- 10,120 tonnes of air cargo transported
- RM2.95 billion construction order book
- 170.7 million MLD of treated, potable water and recycled water produced

- 1,833 new hires and total workforce of 15,494 as at end FY2020
- RM11.6 million invested in talent and organisational culture development
- Facilitating transfer of technology and knowledge
- A more empowered, dynamic and skilled local workforce
- Promotion of workforce diversity

- Greenhouse gas emissions
- Water and resource consumption
- Continuous efforts to reduce our environmental footprint and to empower communities across the country
- Further focus on using more eco-friendly sources in contrast to fossil fuels
- Adoption of more “green” methods of operations across our businesses

- Stronger investor confidence.
- Improved relationships with the Government and industry regulators
- Strengthening of our business model and value proposition, expansion into new businesses and future proofing our business amidst a dynamic and fast changing operating environment

STAKEHOLDERS

- Shareholders
- Employees
- Government, Regulators and Policy Makers
- Bankers and Investors
- Customers, Suppliers and Industry Players
- Media
- Local Communities

SDGS



STRATEGIC PROFILE AND VALUE CHAIN

MMC PORTS

INTRODUCTION

MMC's ports are the strategic gateways and transshipment hub that are essential in facilitating regional and international trade and commerce in spurring the national economic growth.

In an open economy era and within Malaysia's export front, our ports generate economic activities and create tremendous value across a large number of industries, sectors and value chains.

In essence, MMC's ports connect the world to Malaysian shores and provide greater access to international markets and emerging business opportunities in a dynamic, globalised world today.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES



Largest port operator in Malaysia with five ports: PTP, Johor Port, Northport, Penang Port, and Tanjung Bruas Port



All five ports are strategically located along the Straits of Malacca, one of the world's busiest trade and shipping lanes between the East and the West



Resilient business model and long-term concession periods provide earnings visibility



Ample adjacent-land availability to cater to global and large brands looking to establish Regional Distribution Centre ("RDC") and free zone warehouses



Linear berths and sheltered deep sea ports to cater to large container vessels



Latest generation of quay cranes i.e. super post Panamax quay crane to cater for Ultra Large Container Vessels ("ULCV")



Ports are equipped to handle diverse types of cargo



Availability of rail freight services to facilitate inter-terminal transfer ("ITT") movement of containers by railway



Provides a comprehensive range of services i.e. multiple port calls, berth on arrival, competitive Terminal Service Agreements, priority berthing, enhanced connectivity, etc.



Strong partnerships with the world biggest shipping liners i.e. Maersk, MSC and others



Ability to create business and operational synergies by tapping on inter port resources and strategic collaboration to offer competitive solutions for customers

KEY FACTS AND FIGURES

| CONVENTIONAL CARGO VOLUME (million FWT) | FY2018 | FY2019 | FY2020 |
|---|-------------|-------------|-------------|
| Johor Port Berhad ("Johor Port") | 17.4 | 19.1 | 17.3 |
| Northport (Malaysia) Bhd ("Northport") | 8.2 | 8.6 | 8.4 |
| Penang Port Sdn Bhd ("Penang Port") | 10.0 | 10.4 | 8.3 |
| Tanjung Bruas Port Sdn Bhd ("Tanjung Bruas Port") | 0.9 | 0.7 | 0.8 |
| TOTAL | 36.5 | 38.8 | 34.8 |

STRATEGIC PROFILE AND VALUE CHAIN

| CONTAINER VOLUME (million TEUs) | FY2018 | FY2019 | FY2020 |
|---|-------------|-------------|-------------|
| Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") | 8.4 | 9.0 | 9.8 |
| Johor Port | 0.9 | 0.9 | 1.0 |
| Northport | 3.0 | 2.8 | 2.7 |
| Penang Port | 1.5 | 1.5 | 1.4 |
| Tanjung Bruas Port | - | - | - |
| TOTAL | 13.8 | 14.2 | 14.9 |

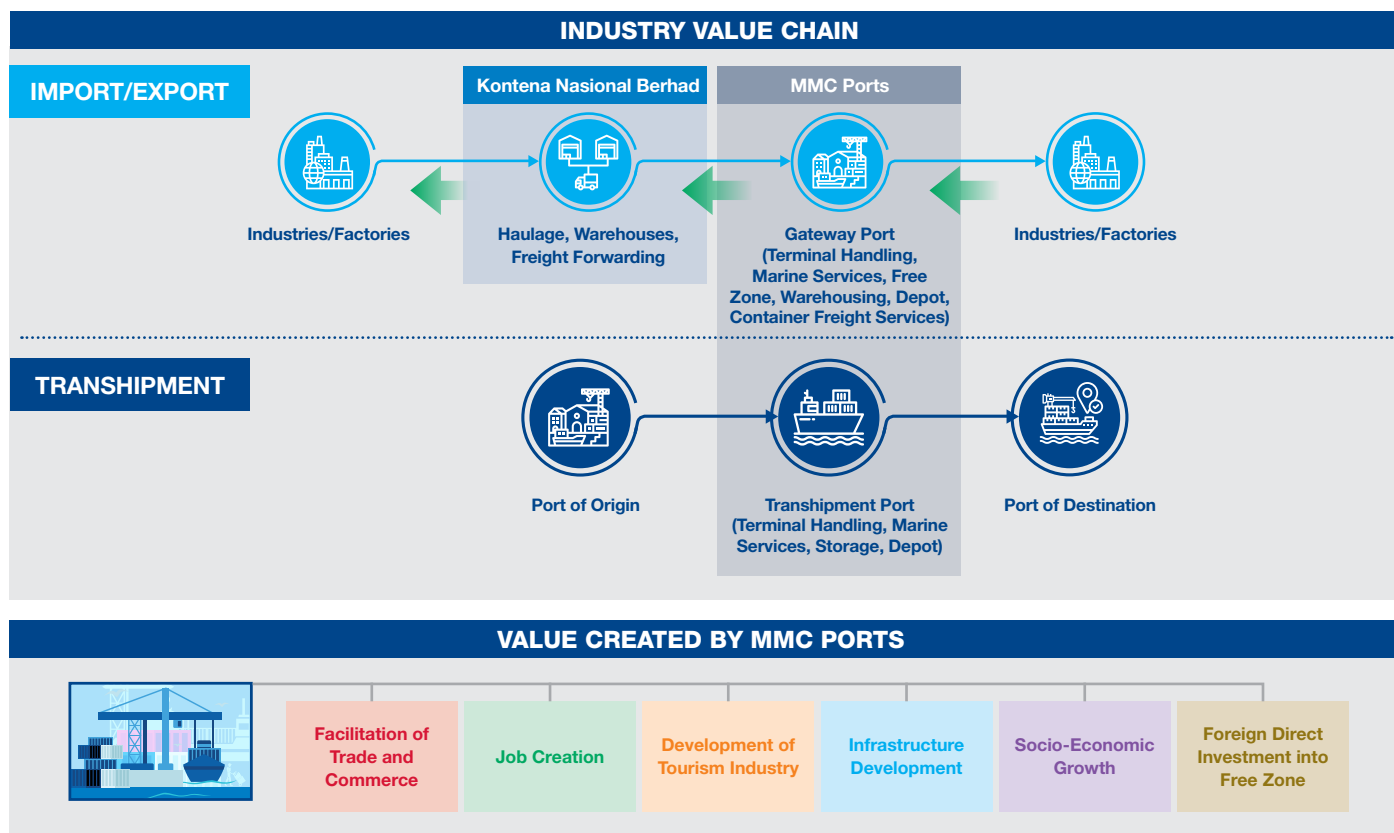
MMC'S MALAYSIAN PORTS OPERATIONAL DATA

| YEAR 2020 | PTP | JOHOR PORT | NORTHPORT | PENANG PORT | MMC PORTS |
|------------------------------|------------|------------|------------|-------------|-----------|
| Capacity (million TEUs) | 12.5 | 1.2 | 5.4 | 2.4 | 21.5 |
| Throughput (million TEUs) | 9.8 | 1.0 | 2.7 | 1.4 | 14.9 |
| Capacity Utilisation | 78% | 83% | 48% | 56% | 69% |
| Local : Transshipment Ratio | 7:93 | 99:1 | 50:50 | 92:8 | 29:71 |
| Water Depth (metre) | 15.0 -18.5 | 11.6 -12.1 | 12.0 -16.0 | 11.0 -12.0 | - |
| No. of Container Berths | 14 | 3 | 12 | 6 | 35 |
| Container Quay Length (KM) | 5.4 | 0.7 | 2.8 | 1.5 | 10.4 |
| No. of Container Quay Cranes | 66 | 9 | 34 | 12 | 121 |



- PTP is one of the world's largest and most advanced, fully containerised cargo ports (world's 15th largest transshipment hub)
- Johor Port operates the world's largest palm oil/edible oil terminal
- Penang Port operates the Swettenham Pier Cruise Terminal, an international passenger cruise terminal

STRATEGIC PROFILE AND VALUE CHAIN



STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|---|
| Organically expand and enhance existing capacity footprint | Embark on assets replacement and refurbishment initiatives as well as upgrading infrastructure as ways to enhance existing footprint |
| Improving operating model, business process, and assets utilisation via digitalisation of operations | <ul style="list-style-type: none"> Embark on digital transformation and Implement Enterprise Resource Planning across MMC's ports as ways to operate efficiently |
| Pursuing continuous operational and cost efficiency across all ports | Implement Take Cost Out, Get Revenue In strategic initiatives |
| Realisation of operational synergies within MMC's five ports as well as with the larger MMC Group | Implement standardisation on key business process and establish strategic avenues for communication flow across ports |
| Increase container and conventional cargo throughput | Continued engagement with main-line operators to shift to, or expand services at our ports. The same is also being done with global brands to establish facilities at our ports including Regional Distribution Centres |
| Preserving cash flow and strengthening financial positions | Prioritise CAPEX and investment in infrastructure development and expansion to align to the capabilities needs to current demand level |
| Continued stakeholder engagement with Port Authorities, Government agencies, international maritime bodies, shipping alliances, freight forwarders, etc | Continuously engage with key stakeholder and have open dialogue to understand respective requirements and needs in order to operate smoothly |

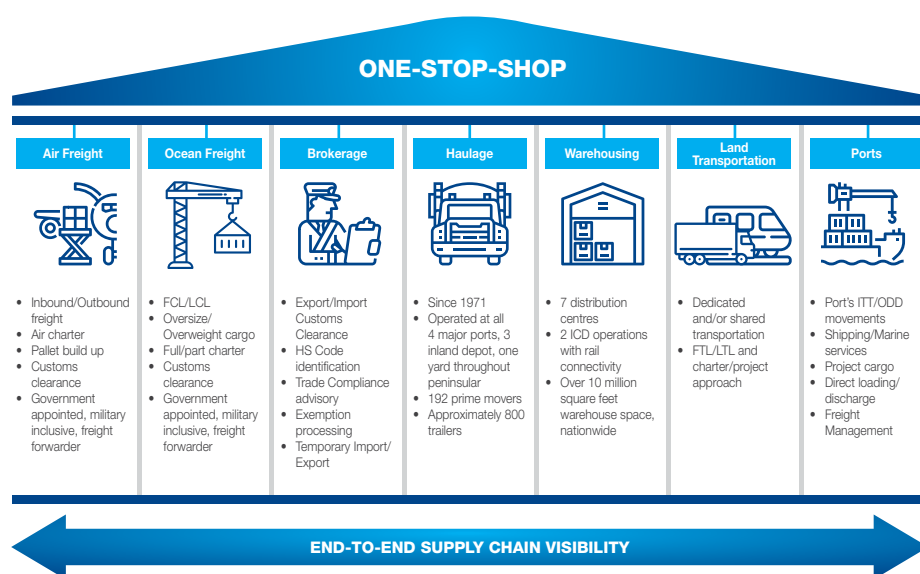
STRATEGIC PROFILE AND VALUE CHAIN

KONTENA NASIONAL BERHAD

INTRODUCTION

Kontena Nasional Berhad (“Kontena Nasional”) is a known brand name with a 49-year track record and a well-established presence across Peninsular Malaysia. It offers a comprehensive business logistics solution, encompassing warehouse and yard facilities, haulage and freight forwarding operations. Kontena Nasional remains one of select few Government-appointed multimodal transport operators and has global representation and coverage through a network of strategic partners.

Kontena Nasional’s strengths include managing logistics for niche industries such as for the oil and gas industry as well as scheduled waste and high security cargoes. Kontena Nasional enhance its strengths and competitive advantages via wide global representation and coverage as well as leverages on its internal partnership with MMC Ports to provide a one-stop logistics solution for customers



KEY FACTS AND FIGURES

- Over 500,000 square feet and 4 million square feet in total, of covered and open storage space respectively
- Seven distribution centres located across Peninsular Malaysia
- Inland clearance depot (bonded) with rail connectivity
- Department of Environment (“DOE”)-approved Scheduled Waste transporter
- ISO 9001:2015 QMS System and OHSAS 18001:2007 Occupational Health and Safety certified
- Fleet Size 1100
- Total cargo volume: 63,200 TEUs, 9% decline year-on-year.

STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|--|---|
| Transform from a Second Party Logistics (“2PL”) company into Third Party Logistics (“3PL”) service provider with Fourth Party Logistics (“4PL”) capabilities | <p>Kontena Nasional’s future orientation is to move up the value chain to offer higher value of logistics solutions and services with better margin of earnings and to better serve the changing needs of customers</p> <p>The plan to realise the transition into a 3PL service provider is based on the following tactical initiatives:</p> <ul style="list-style-type: none"> • An “Integrated IT System” that provides transparency with real-time links and e-commerce capabilities • Fit for Purpose Assets for the targeted businesses • Recruitment/development of more Subject Matter Experts <p>Kindly refer to the Kontena Nasional subsection of the FY2020 report of the Operating Review</p> |

STRATEGIC PROFILE AND VALUE CHAIN

MALAKOFF CORPORATION BERHAD

INTRODUCTION

As the nation's largest Independent Power Producer ("IPP") Malakoff Corporation Berhad ("Malakoff") is responsible for 23.5% of total electricity production delivered to the National Grid based on Grid System Operator Installed Capacity of 24,777MW in FY2020. Electricity generated facilitate a wide range of business, commercial and industrial activities on a daily basis.

Malakoff's power plants in Malaysia provide an effective power capacity of 5,822MW. While the overseas ventures have an effective power capacity of 588MW and produce 472,975 m³/day of desalinated water. The company provides a steady recurring income base to the Group, based on fixed tariffs commitment as stipulated in the Power Purchase Agreements ("PPA") with Tenaga Nasional Berhad.

Malakoff's power plants operations directly generate close to 4,000 jobs (including Alam Flora Sdn Bhd's ("Alam Flora") operations).

Going forward, in line with the evolving global energy landscape, Malakoff's will continue to transition its energy generation mix towards increasing Renewable Energy ("RE") sources. The RE initiatives include but are not limited to solar, small hydro, biogas and waste to energy.

Malakoff, through its subsidiary, Alam Flora, provides Solid Waste Management and Public Cleansing services in Malaysia in three concession areas (Kuala Lumpur, Putrajaya and Pahang) as well as integrated facilities management and recycling services.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

IPP

Largest IPP in Malaysia in terms of effective generation capacity



Growing presence in the RE sector through solar, small hydro and biogas projects



3,981-strong workforce (including Alam Flora)



Diversification into Waste Management and Environmental services, a high growth industry via Alam Flora



Ability to tap the Waste-to-Energy ("WTE") and RE segments going forward

KEY FACTS AND FIGURES



Produces **23.5%** of Peninsular Malaysia's Installed Capacity



6,410MW Effective Generation Capacity in Peninsular Malaysia and Overseas



472,975m³ water desalination capacity



Operates **six conventional power plants** in Malaysia and two overseas and four water desalination plants overseas



ALAM FLORA

4,150 tonnes of waste collected per day. Serves a **3.6 million** population over a **36,430km²** operational area.
25 years of experience in waste collection and public cleansing

INDUSTRY VALUE CHAIN: MALAKOFF

Malakoff



MALAKOFF POWER PLANTS



TRANSMISSION

Distribution via Malakoff Utilities Sdn Bhd ("MUSB") at KL Sentral



DISTRIBUTION

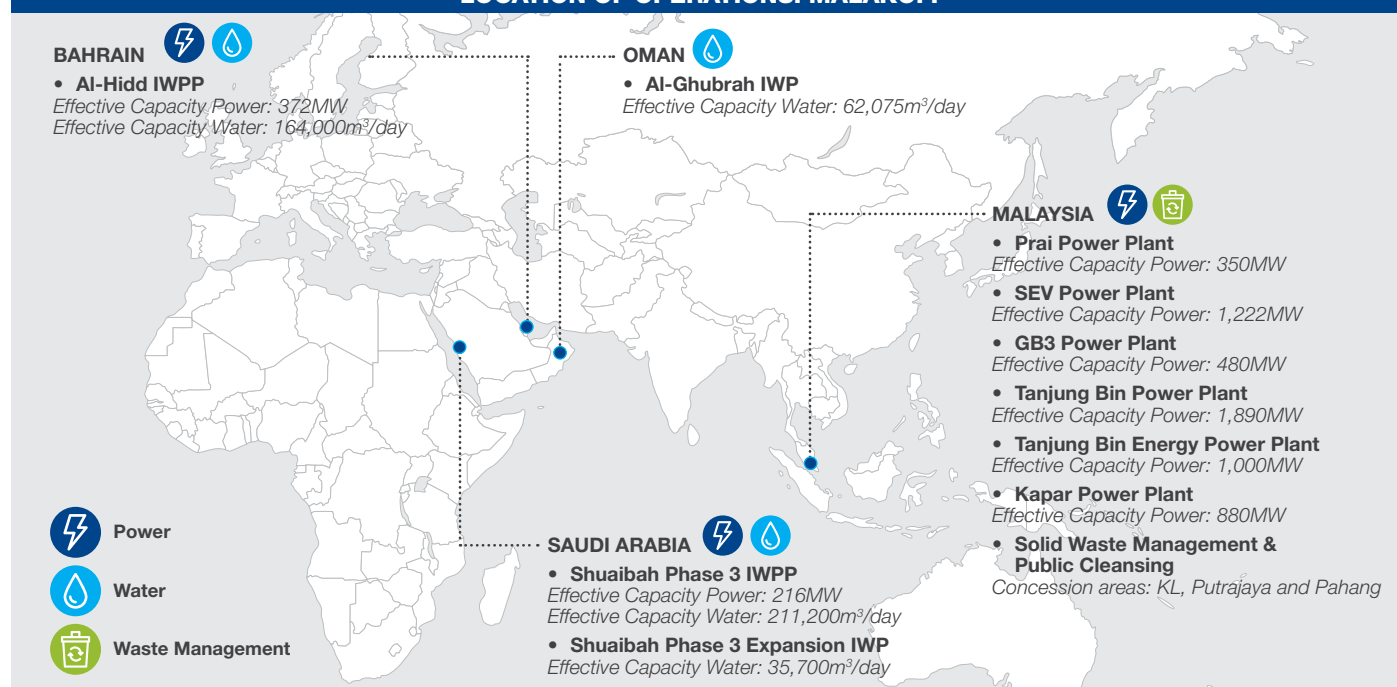
Retail via MUSB



END-USER

STRATEGIC PROFILE AND VALUE CHAIN

LOCATION OF OPERATIONS: MALAKOFF



INDUSTRY VALUE CHAIN: ALAM FLORA



Alam Flora is also an industry leader in Integrated Facilities Maintenance:

- Mechanical and Electrical Systems
- Landscaping and Ground Services
- Utilities Management
- Civil and Structural Systems
- Housekeeping Services
- Pest Control

STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|---|
| Development of internal technical and management skills | <ul style="list-style-type: none"> • Six Sigma implementation towards driving strategic talent development that's closely aligned to the Company's growth • Enhance internal expertise and competencies through Competency Based Assessment, Subject Matter Trainer, On Job Training, simulators, knowledge sharing via Malakoff Technical Conference (MATECON) • Synergise development programmes between Malakoff and Alam Flora |
| Expanding existing RE portfolio and Waste Management and Environmental Services | <ul style="list-style-type: none"> • Work directly and enter into exclusivity of Joint Development Agreement with the State Government • Strategic collaboration with reputable industry players • Develop RE installations with more aesthetic features coupled with greater community oriented capabilities • Explore and participate in large scale solar tenders and RE projects locally and abroad |

STRATEGIC PROFILE AND VALUE CHAIN

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|--|
| Undertake Plant Improvement Programmes to ensure optimal efficiency | <ul style="list-style-type: none"> Strengthening the existing Standard Operating Procedures (“SOPs”)/internal processes - ongoing initiatives with support from the Business Process Improvement department |
| Strict adherence to emission regulations | <ul style="list-style-type: none"> Effective operations and maintenance practices to maintain the reliability of the emission control equipment Report real-time emissions data directly to the DOE through the Continuous Emissions Monitoring System |
| Continued pursuit of greenfield and brownfield opportunities in the water and power sector in Malaysia, ASEAN and MENA | <ul style="list-style-type: none"> Be innovative and resilient – adaptive towards key trends Identify key strategic partners |
| Remain on track to achieved long-term Aspirational Target. <ul style="list-style-type: none"> Conventional Power: 10,000 MW Water Desalination: 1,000,000 m³/day Renewable Energy: 1,000 MW Solid Waste Management: 10,000 tpd | <ul style="list-style-type: none"> Monitoring and tracking the progress via Performance Management Initiative – Corporate KPIs |

GAS MALAYSIA BERHAD

INTRODUCTION

Gas Malaysia Berhad (“Gas Malaysia”) procures, markets and distributes reticulated natural gas and Liquefied Petroleum Gas (“LPG”); as well as develops, operates and maintains the Natural Gas Distribution System (“NGDS”) network for the non-power sector in Peninsular Malaysia.

Since its inception 28 years ago, Gas Malaysia has been advocating the use of natural gas as a clean energy source to drive the nation’s industrial growth and socio-economic development. In line with its vision and mission, it remains at the forefront of bringing the natural gas as an energy source and its benefits across the nation.

With the liberalisation of the market brought by the implementation of the Third-Party Access (“TPA”), Gas Malaysia has taken the necessary steps to realign its strategy to face the new business landscape.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES



Strong fundamentals backed by 28 years of experience in the industry



Highly skilled and experienced talent pool



Approximately 99% gas supply reliability rate



1 Head office, 3 Regional offices and 8 Branch offices throughout Peninsular Malaysia



- Potential increase in demand for natural gas as an alternative source of energy from new customers
- Increase in demand for natural gas from existing industrial customers



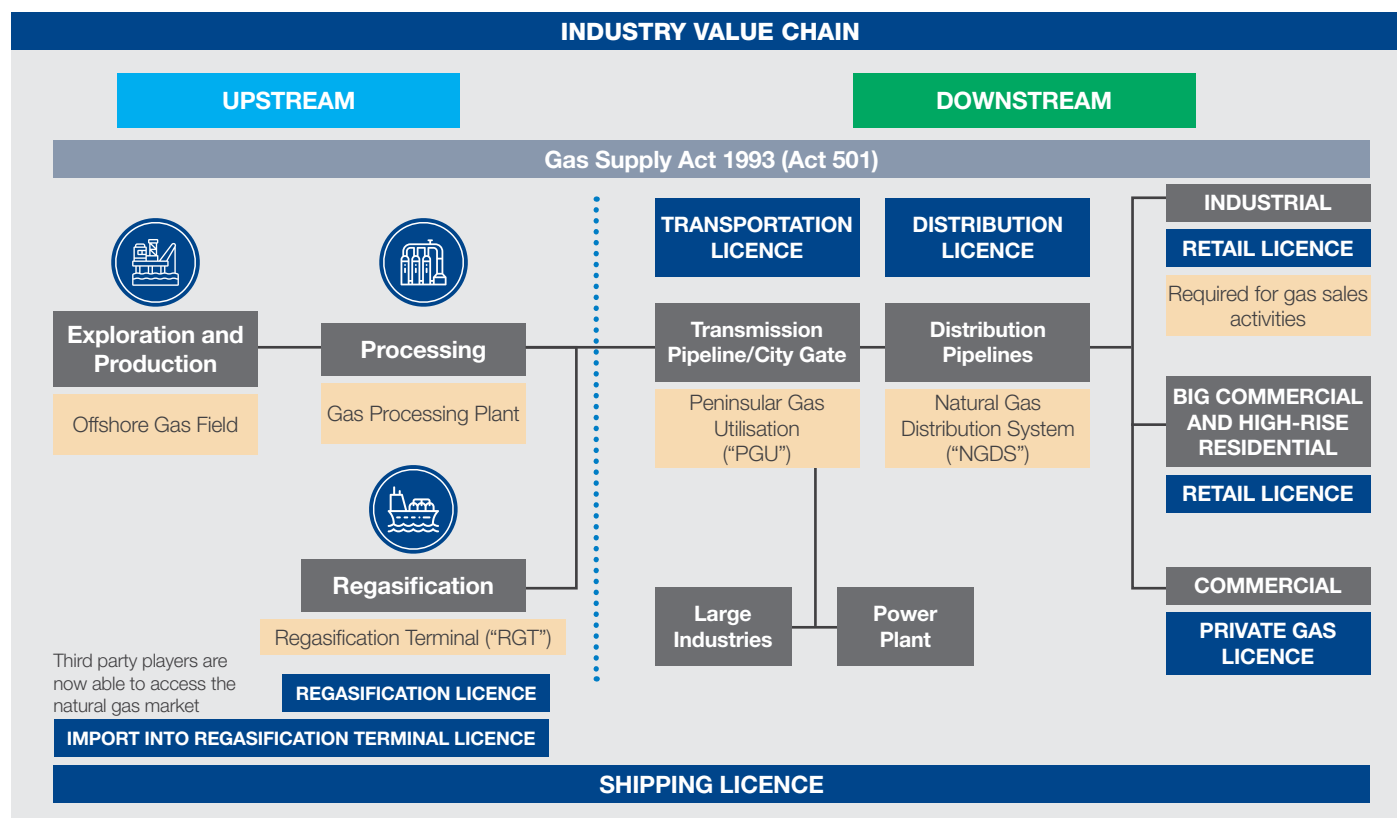
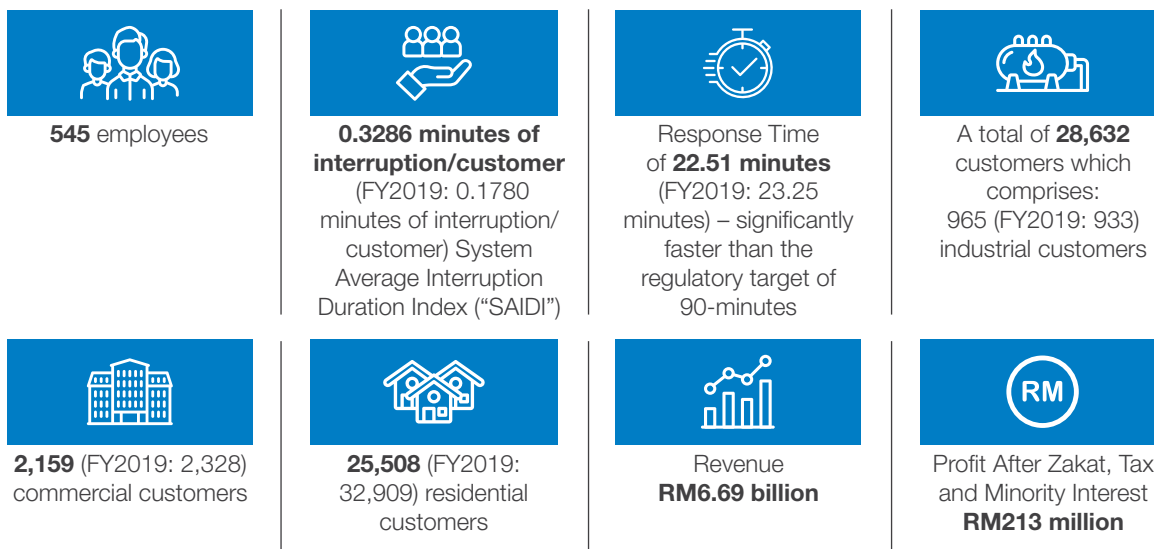
- Ability to adapt and solidify position in an evolving industry
- Tapping on new growth opportunities for the regulated and non-regulated business



2,600 kilometres of NGDS network across Peninsular Malaysia

STRATEGIC PROFILE AND VALUE CHAIN

KEY FACTS AND FIGURES



STRATEGIC PROFILE AND VALUE CHAIN

STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|--|
| Continue to advocate natural gas as a clean energy alternative | Increasing marketing efforts on the benefits of natural gas as a clean source of energy |
| Consolidate position in the non-regulated sphere of the gas distribution business | <p>Strengthening Our Position Broadening our business portfolio via our subsidiary and joint venture entities:</p> <p>Virtual Pipeline Business</p> <ul style="list-style-type: none"> • Supplying compressed natural gas and bio-methane via land transportation to areas beyond the reach of our NGDS network • Subsidiary - Gas Malaysia Virtual Pipeline Sdn Bhd (CNG) • Joint Venture - Sime Darby Gas Malaysia BioCNG Sdn Bhd (Bio-methane) <p>Combined Heat and Power Business</p> <ul style="list-style-type: none"> • Simultaneous production of electricity and usable thermal energy from a single fuel source • Joint Venture - Gas Malaysia Energy Advance Sdn Bhd • Joint venture - Gas Malaysia Synergy Drive Sdn Bhd <p>Seeking competitive source of gas cost</p> <p>Offering competitive price in comparison with alternative fuels to non-regulated customers</p> <p>Offering better energy efficiency and energy solutions to our customers</p> |
| Increase focus on talent development | <p>Encouraging learning and development for career progression via training programmes</p> <p>Preparing selected employees for future leadership roles (succession planning) by sending them for appropriate training programmes</p> <p>Participating in MMC's employee engagement survey intended to gauge the employees' level of satisfaction on their job</p> |
| Expand NGDS network to underserved areas across Peninsular Malaysia | Cooperating with the respective state Government to expand our gas infrastructure i.e pipeline to prospective industrial areas by promoting easy access to clean energy within the state |
| Fortify Information Technology ("IT") for business growth | <p>Embracing the new norm Leveraging on digital platform to support remote and flexible working conditions as well as sustain business processes</p> <p>Resilient IT Infrastructure Revamping the IT infrastructure by installing SmartRow solutions to effectively manage the IT infrastructure in line with our growing IT needs</p> <p>Improving the resiliency of our IT Data Centre by installing a centralised UPS (Uninterrupted Power Supply) that will provide continuous power supply in the event of power failure</p> <p>Market Liberalisation Aligning our IT system to cater for both subsidiaries (Gas Malaysia Energy and Services Sdn Bhd & Gas Malaysia Distribution Sdn Bhd) based on the TPA regulatory requirement</p> |

STRATEGIC PROFILE AND VALUE CHAIN

ALIRAN IHSAN RESOURCES BERHAD

INTRODUCTION







Aliran Ihsan Resources Berhad ("AIR Berhad") is a leading water industry operator with a proven track record for abstraction and treatment of raw water, as well as treatment of wastewater and reclaimed water. AIR Berhad also specialises in Non-Revenue Water ("NRW") management.

At present, AIR Berhad operates two Water Treatment Plants ("WTPs") and five Wastewater Treatment Plants ("WWTPs"). AIR Berhad produces 170.7 million litres per day ("MLD") of treated, potable water and reclaim water.







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

Furthermore, as a NRW and reclaim water specialist, AIR Berhad is directly contributing to reducing commercial water loss and encouraging sustainable resource via reclamation. This ultimately contributes to the increase of water consumption efficiency and conservation of water resources.

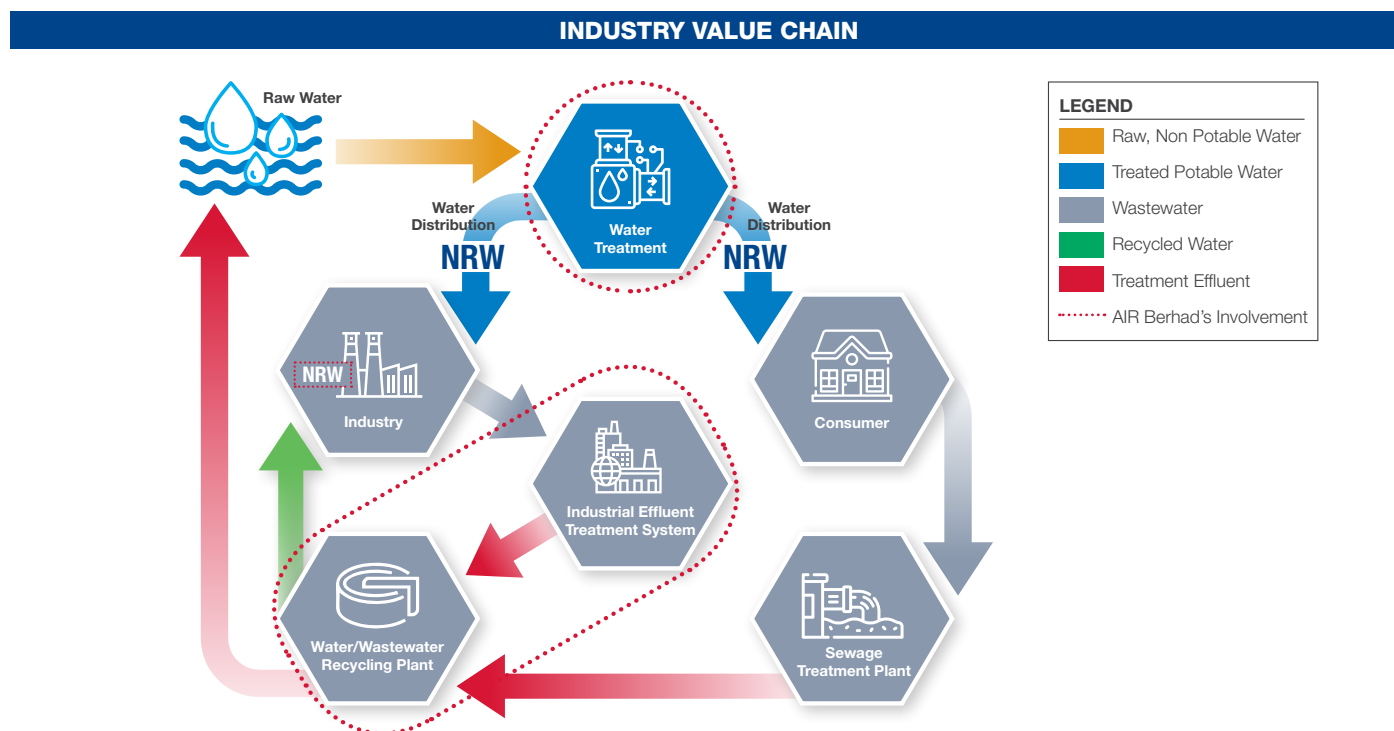
BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

| | | |
|--|---|---|
|  <p>Water operator with niche competencies in water and wastewater treatment as well as NRW management</p> |  <p>Proven track record for municipal water works and industrial wastewater and recycling solutions</p> |  <p>Able to provide comprehensive, turnkey solutions from design, construction, operations and maintenance as well as financing</p> |
|  <p>Able to source within the Group for water related projects</p> |  <p>Regularly recognised by industry regulator, Suruhanjaya Perkhidmatan Air Negara ("SPAN") for excellence in the operation and maintenance of WTPs</p> |  <p>Pioneer water reclamation player in Malaysia</p> |

KEY FACTS AND FIGURES

| | | | | | |
|---|---|--|---|---|--|
|  <p>Operates two WTPs in Perak and five WWTPs in Negeri Sembilan, Selangor and Johor</p> |  <p>Total volume of water abstracted and treated: Municipal 55,044,249 m³ (treated water) - Reclamation 2,699,400 m³ (treated water)</p> |  <p>NRW savings: Johor Port actual 54%, current 12%, financial savings or RM106,214 per year</p> |  <p>Revenue RM24 million</p> |  <p>Profit Before Tax RM4 million</p> |  <p>Profit After Tax RM3 million</p> |
|---|---|--|---|---|--|

STRATEGIC PROFILE AND VALUE CHAIN



STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|--|---|
| Secure additional operation and maintenance contracts among municipal | Attending operation and maintenance tenders. Participate in yearly water engineering workshop to ensure the service provided is meeting the current demand and standard |
| Secure additional short and long-term industrial water, wastewater and water reclamation contracts within the private sector. Specific industries such as glove manufacturers to be targeted | Presenting pilot system as a proof of concept to boost client confidence. Providing holistic offer which includes financing, engineering design, construction, operation and maintenance |
| Develop strategic partnerships with OEM product manufacturers | Bind into yearly contract basis with partners in ensuring the sustainability and availability of the raw materials, thus resulted in competitive offer |
| Further expansion in NRW market | Targeting to venture into Government sector closed area especially on military camp, police camp and universities |
| Develop branding and market reputation | Participate in national water conferences and actively involve in Malaysian Water Association (NGO). Contribute in Corporate Social Responsibility programmes to help rural area in providing clean and safe drinking water |
| Strengthen the internal engineering team | Promoting staff for engineering competence and training with Malaysia Board of Technologist ("MBoT") and Board of Engineering Malaysia ("BEM"). Establish strong database of treatment plant engineering design |

STRATEGIC PROFILE AND VALUE CHAIN

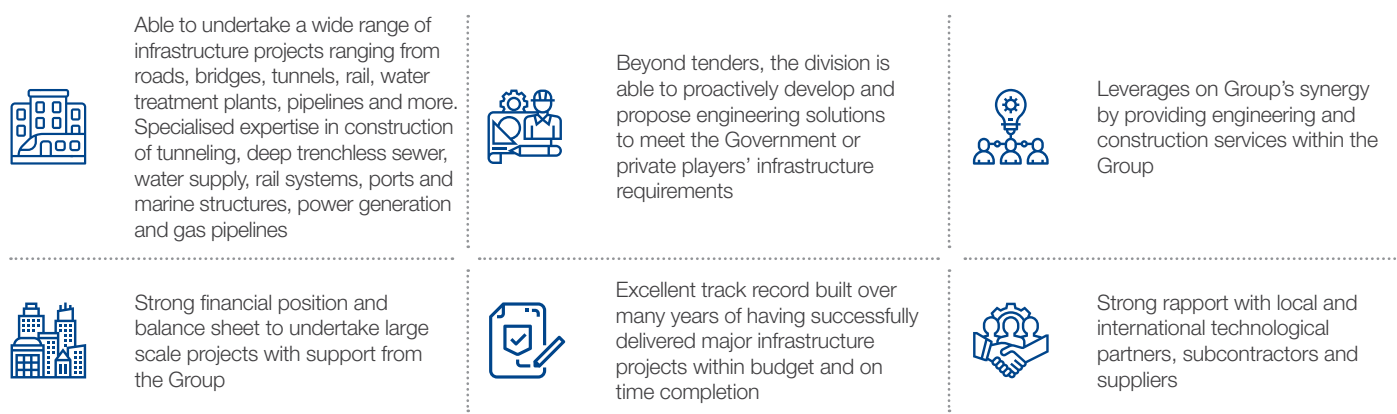
ENGINEERING DIVISION

INTRODUCTION

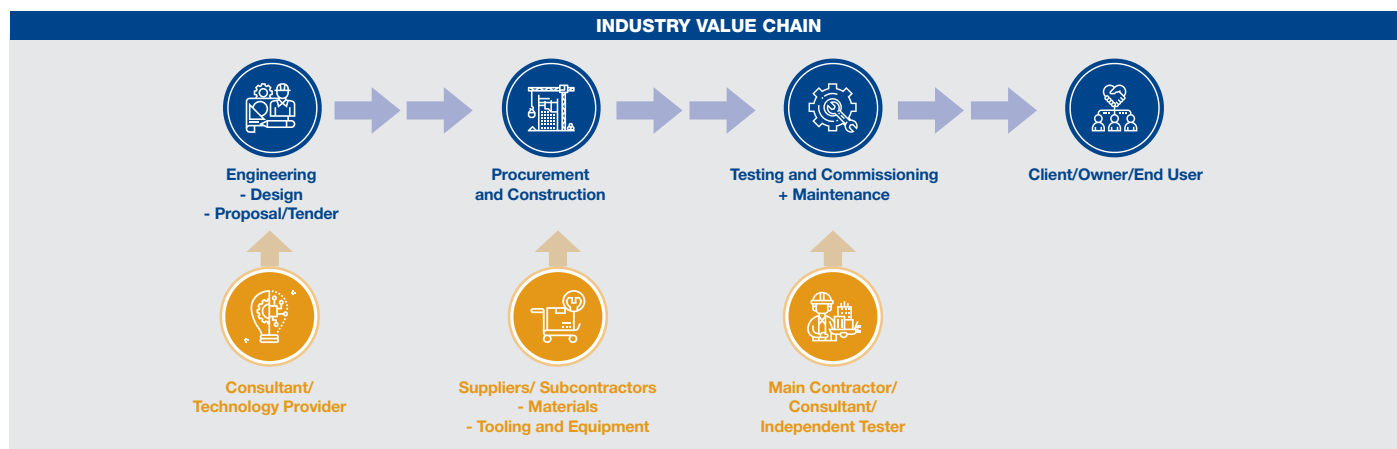
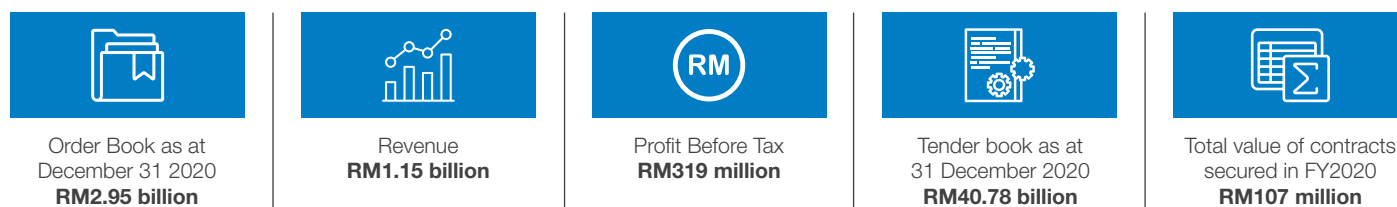
MMC's Engineering Division is a proven, infrastructure construction and development company whose track record includes some of the nation's most iconic and ground-breaking projects. The division is an Engineering, Procurement, Construction and Commissioning contractor that provides complete infrastructure solutions for the public or private sector. Over time, it has developed specialised expertise to meet the specific and highly technical project requirements within key economic sectors.

As such, the division has developed a commendable track record of completed infrastructure projects for the oil and gas, urban transportation, civil and infrastructure works. Project highlights include the Klang Valley Mass Rapid Transit Sungai Buloh-Kajang Line or known as MRT Kajang Line and the in progress of KVMRT Sungai Buloh-Serdang-Putrajaya Line or MRT Putrajaya Line, SMART Tunnel, Langat Water Treatment Plant and Langat Centralised Sewerage Treatment Plant.

COMPETENCIES AND COMPETITIVE ADVANTAGES



KEY FACTS AND FIGURES



STRATEGIC PROFILE AND VALUE CHAIN

STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|--|
| Order book replenishment by targeting projects | Participating in tenders and submit unsolicited proposals to address problems faced by the nation Proposing financing and repayment plans via suitable repayment scheme |
| Improving tender bids to enhance competitiveness against the competition | Undertake projects with financing components i.e : Private Finance Initiative |
| Enhancing technological capabilities via strategic partnerships | Engage with specialist in developing Artificial Intelligence/Smart Building/Modular System/ Rail System |
| Focusing on projects in niche sectors where the division has a competitive edge through proven track record and expertise | Undertake proposals for Rail Projects and Smart Buildings |
| Achieving balance between short and long-term contracts | Continuous participation in tenders/proposals and to focus on internal projects within the Group |

INDUSTRIAL DEVELOPMENT DIVISION

INTRODUCTION

The Group's Industrial Development Division is a master developer of approximately 5,000 acres of industrial land in Johor and Kedah. Our land developments are located at Senai Airport City (2,718 acres), Tanjung Bin Industrial Park (2,255 acres) and Northern Technocity in Kulim, Kedah (354 acres).

In unlocking the value of our landbank, we continue to masterplan our developments – defining land use, establishing key development components, desired infrastructure and building density, etc. Land sizes in our developments can be customised to accommodate customers' varying requirements.

Our developments include the construction of basic infrastructure i.e. power, water, telecommunication and natural gas supply. All infrastructure works such as earth works and platform levelling is undertaken towards ensuring our prospective customer could benefit from well equipped land.

Sales and marketing efforts have enabled us to reach out to a wide range of customers. We will continue to leverage on Group's synergy by tapping the network and reach of other MMC operating companies to broaden our prospects.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

Large land bank strategically located at heartlands of key industrial areas in the north and south of Malaysia. This enables the division to leverage on a sustainable surrounding industrial eco-system.



Strategically located land bank benefits from excellent road, rail and maritime connectivity



Free Industrial Zone and Free Commercial Zone status (Senai Airport City)



Ability to harness synergy by working with other business divisions within the Group



Opportunity for joint venture and strategic collaborations with property developers to offer stronger value propositions to domestic and international businesses/investors



Strategic support and continuous engagement from state and federal Government agencies in identifying new investment

STRATEGIC PROFILE AND VALUE CHAIN

KEY FACTS AND FIGURES



2,718 acres
master development in Senai
Airport City, Johor



2,255 acres
master development in Tanjung
Bin Industrial Park, Johor



354 acres
Development in Northern
Technocity, Kulim Hi Tech Park
in Kulim, Kedah

INDUSTRY VALUE CHAIN



STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|--|
| Attract more strategic Domestic Direct Investment (“DDI”) as well as foreign direct investment (“FDI”) in the wake of an economic recovery in FY2021 | <p>The global economy projected to recover with a growth of 5.2% in 2021. Global trade projected to turn around by 8.3% in 2021 as economic activities gain momentum</p> <p>The division intends to target segments of Hi-Tech Manufacturing & Logistics industries such as E&E, F&B, warehousing, and FMCGs</p> <p>This include leveraging on the present wave where eCommerce companies are moving from traditional warehousing to mega distribution centres with state-of-the-art technology to fulfil increasing consumer demand. The focus will be positioning our landbank as a suitable option to such eCommerce players</p> <p>This will be done via conventional and digital/virtual engagement, with the latter having emerged as a preferred medium post Coronavirus Disease 2019 (“COVID-19”) pandemic</p> |
| Continue enhancing value proposition of the industrial development by prioritising investment | The division will continue to invest in developing the infrastructure of its development. This include new technologies, offering customised solutions for-clients and more |
| Continue exploring JVs with niche developers/ investors for Build and Lease industrial facilities | Working with JV partners expands our reach and enables the division to leverage on the strengths of its partners. This includes design and build technology towards offering a stronger competitive solution to rival those being offered by other countries and other industrial parks locally |
| Targeting MNC’s by positioning our industrial development as an ideal location for principal or global trading hub due to its strategic location and existing ecosystem | To leverage on Government initiative of the Regional Comprehensive Economic Partnership (“RCEP”) and Malaysia Budget 2021 by collaborating with Malaysia investment promotion agencies to identify and reach the potential FDI for global trading hub |













STRATEGIC PROFILE AND VALUE CHAIN

SENAI AIRPORT TERMINAL SERVICES SDN BHD

INTRODUCTION

Located within the fast-growing economic region of Iskandar Malaysia in the south of Peninsular Malaysia, Senai Airport Terminal Services Sdn Bhd ("Senai International Airport") is one of the country's fastest growing airports. It remains the preferred aviation gateway for southern Peninsular Malaysia, connecting the region to other destination domestically across Malaysia as well as internationally. As such, it is a vital transportation hub that drives tourism, trade and travel into Johor state and Malaysia.

BUSINESS STRENGTHS AND COMPETITIVE ADVANTAGES

| | | |
|---|---|---|
|  <p>The aviation gateway to Johor state and one of the principle entry points to Malaysia</p> |  <p>Strategically located in the fast-growing Iskandar Malaysia economic zone</p> |  <p>Backed by a robust ecosystem comprising aviation authorities, airlines, manufacturers, Government agencies, retailers and tenants</p> |
|  <p>Passenger handling capacity of 4.0 million per annum</p> |  <p>3.8-kilometre runway length that cater to the largest commercial and cargo aircraft</p> |  <p>41,859 sqft commercial/retail space</p> |
|  <p>Greater strategic independence to respond proactively to market and operating conditions</p> |  <p>Owned 107.4-acre Senai Airport Free Zone ("SFZ").</p> |  <p>136 acres of open land available for lease and rent</p> |
|  <p>80,000 tonnes cargo terminal capacity</p> |  <p>Able to offer airport development, maintenance, operations and management services. The only airport operator in Malaysia having Ground Handling license which enable it to provide a one stop solution and more cost-effective options for airlines and cargo customers</p> |  <p>Owned 42.2-acre Senai Airport Aviation Park ("SAAP") dedicated for Maintenance, Repair and Overhaul ("MRO") activities, Fixed Base Operator ("FBO") and general aviation activities.</p> |

AIRPORT CONNECTIVITY AND ROUTES



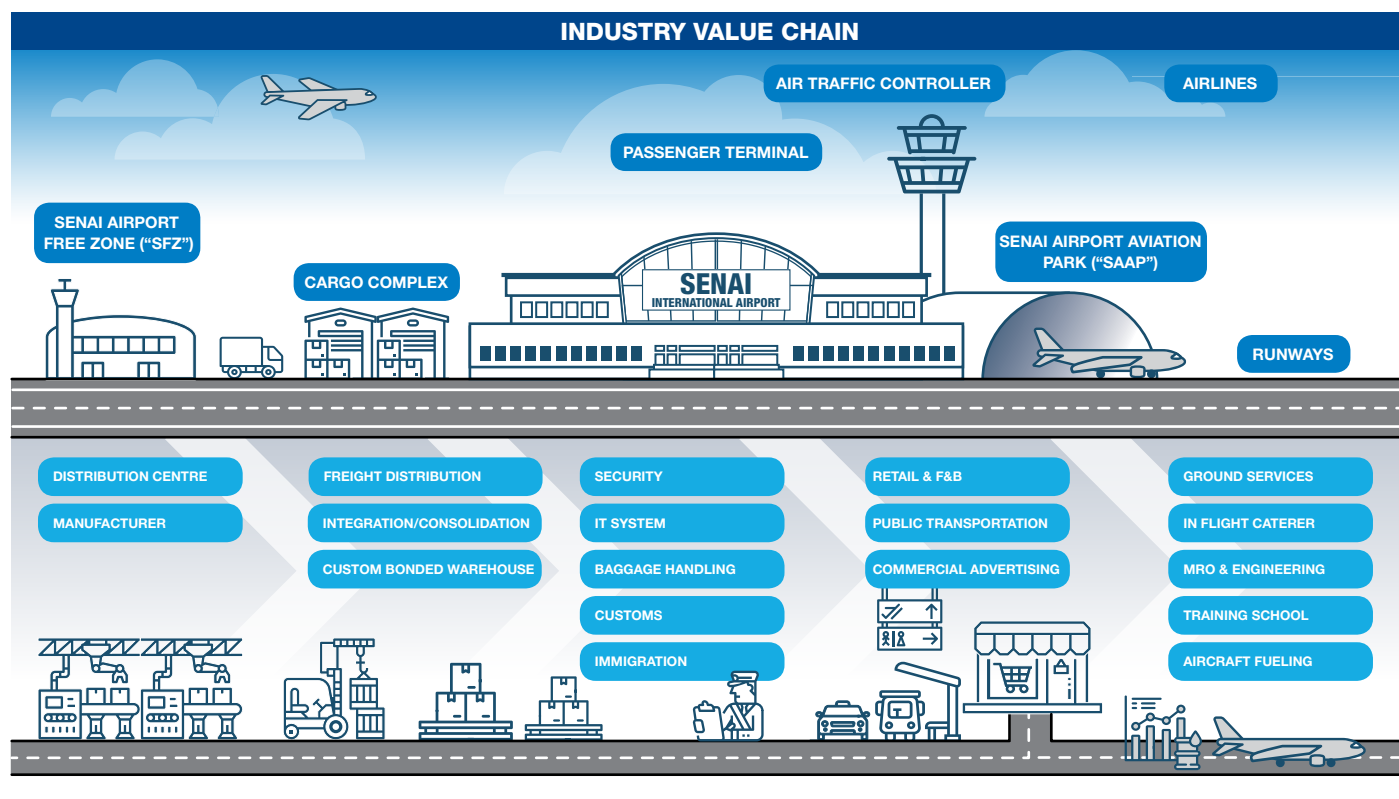
Note: Due to the COVID-19 pandemic, in accordance with Government's travel restriction, all international routes to and from Senai International Airport have been temporarily suspended since March 2020 until further notice.

STRATEGIC PROFILE AND VALUE CHAIN

KEY FACTS AND FIGURES

| PASSENGER MOVEMENT | FY2018 | FY2019 | FY2020 | CAPITAL TRADE OFFS |
|---------------------------------------|------------------|------------------|------------------|--------------------|
| International Arrivals | 119,190 | 115,096 | 15,494 | -86.5 |
| International Departures | 112,390 | 110,149 | 16,637 | -84.9 |
| Total International passengers | 231,580 | 225,245 | 32,131 | -85.7 |
| ASEAN Arrivals | 184,430 | 208,915 | 32,107 | -84.6 |
| ASEAN Departures | 191,300 | 211,262 | 31,743 | -84.9 |
| Total ASEAN passengers | 375,730 | 420,177 | 63,850 | -84.8 |
| Domestic Arrivals | 1,437,556 | 1,779,686 | 496,387 | -72.1 |
| Domestic Departures | 1,477,710 | 1,845,036 | 504,149 | -72.7 |
| Total Domestic passengers | 2,915,266 | 3,624,722 | 1,000,536 | -72.4 |
| Total Passengers Movements | 3,522,576 | 4,270,144 | 1,096,517 | -74.3 |

| KEY STATISTICS | FY2018 | FY2019 | FY2020 |
|---|-----------|-----------|-----------|
| Passenger movements | 3,522,576 | 4,270,144 | 1,096,517 |
| Cargo (metric tonnes) | 9,691 | 14,694 | 10,120 |
| Aircraft movements | 52,030 | 58,335 | 21,481 |
| i. Commercial/scheduled | 32,574 | 38,271 | 13,189 |
| ii. Non-commercial/non-scheduled (training, flying clubs, business jets) | 19,456 | 20,064 | 8,292 |
| Revenue (Aero and Non- Aero) (RM' million) | 69.9 | 80.9 | 33.9 |
| EBITDA (RM' million) | 41.3 | 52.8 | 12.3 |



STRATEGIC PROFILE AND VALUE CHAIN

STRATEGIC PRIORITIES AND FUTURE ORIENTATION

| STRATEGIC PRIORITIES | ACTIONS/INITIATIVES TO ACHIEVE PRIORITIES |
|---|--|
| To resume all domestic routes connectivity to boost domestic air travel | Continuous engagement and collaboration with existing/new airlines to: <ul style="list-style-type: none"> • Restore existing routes • Introduce new routes • Instill public confidence by implementing strict compliance with COVID-19 prevention SOPs |
| To boost e-commerce movement via Senai International Airport | To actively reaching out to e-commerce logistic key players: <ul style="list-style-type: none"> • Freightier operators • Logistics players • Courier services companies • Shippers and agents |
| To enhance retail segment and increase non-aero revenue | To continue improving the airport retail segment with: <ul style="list-style-type: none"> • Attractive rental packages to attract new tenants • Short-term leasing strategy • Offering special discounted rate for new prospects • Free parking during lunch and dinner time for customers • Free marketing through Senai International Airport's website, social media, flyers distribution around surrounding community • Aggressive marketing to reach prospective international and local brands |
| To lease out available land bank | Aggressive marketing through: <ul style="list-style-type: none"> • Contacting and reaching to prospective investors locally and internationally • Continuous engagement with investment authorities • Installation of promotional signages at strategic locations |

STRATEGIC SNAPSHOT

MMC Strategic Snapshot table provides a summarised view of various strategic <IR> content elements pertaining to Group's business model and its operations as well as future prospects. It enables readers to quickly obtain a quick and concise overview and understanding of MMC, its present position and its future direction.

For detailed information, kindly refer to the Operation Review section on page 92 of this Annual Report.

OVERVIEW

VISION

To Be A Premier Utilities and Infrastructure Group

MISSION

Excellence In Our Core Business Segment

BUSINESS MODEL

Recurring and non-recurring income via infrastructure development across core business segments

| BUSINESS STRENGTHS | KEY EXTERNAL TRENDS, FACTORS IMPACTING VALUE CREATION | RISKS | STRATEGIC PRIORITIES AND FUTURE ORIENTATION |
|---|--|--|--|
| Footprint In Multiple Businesses | Lack of Political Stability | Sudden Changes in Government Policies and Project Implementation | Focus on existing business sectors |
| Business and Operational Synergy | Global Focus on ESG Financing | Foreign Exchange Volatility | Developing a balanced portfolio mix |
| Strong Asset and Financial Base | World Trade | Viability of New and Current Investments | Harnessing greater business/operational synergy |
| Strong Recurring Income | National and Global GDP Growth | Delay in Project Completion and Cost Overruns | Developing "green" businesses |
| Proven Expertise and Track Record | Market Liberalisation | Natural Disasters | Overseas expansion |
| Highly Experienced and Professional Workforce | Talent Replenishment and Succession Planning | Pandemics | Upholding the highest levels of corporate governance |
| Good Marketplace Practices and Corporate Governance | Environmental and Social Impact | Security Breach and Terrorist Acts | Improve/Enhance Operational Efficiencies |
| Strong Project Management Expertise | Effectiveness of Coronavirus Disease 2019 ("COVID-19") Containment | Stakeholder Management | Prioritising Investment |
| | Close Border and Movement Restriction | Accidents/Mishaps resulting in injuries, fatalities or environmental/social impact | Cost Management/Optimisation |
| | Advanced Technology Development | Talent management and succession planning | Pandemic Measures and Control |

STRATEGIC SNAPSHOT

PELABUHAN TANJUNG PELEPAS SDN BHD ("PTP")

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|---|--|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <p>STAKEHOLDERS ENGAGEMENT</p> <ul style="list-style-type: none"> Secured approval for various infrastructure projects to proceed despite the MCO Engagement with authorities on 14-day mandatory quarantine for crews Community engagement and development <p>CUSTOMER RELATIONS</p> <ul style="list-style-type: none"> Strengthening existing partnerships with 2M Alliance and Evergreen Marine Corp <p>HUMAN CAPITAL AND ASSET MANAGEMENT</p> <ul style="list-style-type: none"> Manpower and equipment resource management and infrastructure development works including asset acquisition and refurbishment Insourcing manpower contract Introduction of the asset integrity team <p>PROJECTS</p> <ul style="list-style-type: none"> Ipsium Magna programme i.e increase the terminal capacity by optimizing the current terminal footprint, including dredging works Pursuing energy efficiency initiatives and efficient waste management Provision of empty pool facility to enable customers' expansion Free Zone expansion Cost management and prioritised capital expenditure ("CAPEX") | <p>TERMINAL PERFORMANCE</p> <ul style="list-style-type: none"> Comparatively robust performance in twenty-foot equivalent unit ("TEUs") throughput Higher Non – Container vessel calls in FY2020 by 12% <p>PROJECTS</p> <ul style="list-style-type: none"> Completed Enterprise resource planning ("ERP") Phase 1 An extension of Pelepas Free Zone with additional 100 acres currently being developed for leasing in FY2023 <p>HUMAN CAPITAL MANAGEMENT</p> <ul style="list-style-type: none"> Increase in number of Malaysian hires and reduced dependence on foreign labour. Reduced dependence on third party contractors and this costs as port employees increase skills to take on previously outsourced roles Launch of FitPort, a return to work ("RTW") rehabilitation centre for employees |

Refer to the PTP's subsection in the Operations Review, page 94 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|---|--|
| <ul style="list-style-type: none"> Activities of removing sediment to deepen channel can increase turbidity of water and disturb contaminated bottom sediment which potentially harmful to marine habitat (e.g. seagrass) Certain rights under the contracts may not be enforceable throughout the operational period of the COVID-19 Act 2020 | <ul style="list-style-type: none"> Regional Comprehensive Economic Partnership ("RCEP") will encourage increased free trade among countries in the ASEAN region via zero or lower tariffs, simplified customs procedures, streamlined rules of origin and stronger discipline on non-tariff measures Upsurge in transshipment volume diverted from Singapore due to port congestion | <p>PROJECTS</p> <ul style="list-style-type: none"> Implementation of ERP Phase 2 Continued implementation of Ipsum Magna <p>TERMINAL PERFORMANCE</p> <ul style="list-style-type: none"> Promotion of hub port strategy based on transshipment hub Continued Increase in terminal capacity and increase service levels to existing customers Focus on attracting Ultra Large Container Vessel ("ULCV") Increasing crane productivity <p>FREEZONE PERFORMANCE</p> <ul style="list-style-type: none"> Development of Phase 2C Target Multinational corporation ("MNC") Corporation/global manufacturers to establish regional distribution centres ("RDCs") in the Free Zone <p>SAFETY</p> <ul style="list-style-type: none"> Close Fatal 5 Gaps <p>HUMAN CAPITAL MANAGEMENT</p> <ul style="list-style-type: none"> Talent development <p>INFORMATION TECHNOLOGY</p> <ul style="list-style-type: none"> Tap Big Data Analytics |

STRATEGIC SNAPSHOT

| JOHOR PORT BERHAD ("JOHOR PORT") | |
|---|---|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Continued implementation of the Johor Port Expansion Plan and 5-Year Equipment Replacement and Refurbishment Plan towards increasing annual handling capacity to 1.5 million TEUs at the Container Terminal Increased engagement with Commodity Exchanges across Asia and Asia Pacific towards securing approved delivery point statuses Establish Johor Port as a preferred Cocoa Trading Hub Undertake Liquefied Natural Gas ("LNG") bunkering at Pasir Gudang Port Water Limit Increase Marine and Marine Advisory Services Ongoing negotiations with main-line operators and Customer retention strategies Development of strategic partnerships | <ul style="list-style-type: none"> Secured additional empty transshipment cargo volumes in FY2020 Completed various phases of infrastructure works including Container Yard expansion Various equipment upgrades completed including arrival of one new Shore to Ship crane Successfully performed the first Liquefied Natural Gas ("LNG") Bunkering Operation on 9 November 2020 at Pasir Gudang Port Water Limit Operating Expenses ("OPEX") reduction for the handling of Bulk and Breakbulk cargo and Marine Services Acquired new customers and new services to Johor Port namely Sealand MAERSK SH2, COSCO Line - CME, Evergreen- JPIB and PELNI Lines- MIS Improvements on operational performance including Gross Moves Per Hour ("GMPH"), vessel waiting time, vessel turnaround time and container stacking height Memorandum of Understanding ("MoU") inked with UTMSPACE to develop Port and Maritime related professional qualifications and courses |

Refer to the Johor Port's subsection in the Operations Review, page 97 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|---|--|---|
| <ul style="list-style-type: none"> Global empty container shortage. Most empties are currently being positioned from the transpacific trade lanes directly to China mainly due to high freight rates which resulted in cancellation of service contracts between shipping lines and manufacturers locally due to the slowing down of production output by manufacturers. This led to lesser Empties coming into Pasir Gudang. There is a strong possibility of stagnated growth during the first quarter of 2021 till the shipping lines have resume back the Empty Repositioning as well as increase their ocean freights to a level substantial enough to convince their Trade Management to activate back the Empty supply into Johor Other risk is mainly the prolonged pandemic situation which dampened the economic activities | <ul style="list-style-type: none"> Continue to induce more Empties to cater for the Export demand East Malaysia Transshipment Hub at Pasir Gudang Increase move counts on existing calls and services through Transshipment and Empty drop off To promote On-Dock Depot ("ODD") facilities as an Empty Repair Hub and entice more Empty boxes to be repaired here and reshipped to shortage areas To study other areas like Kuantan and Indonesian Outports for Transshipment | <ul style="list-style-type: none"> Secure further approved delivery point statuses from the following exchanges: Dalian Commodity Exchange ("DCE"), Shanghai Futures Exchange, Zhengzhou Commodity Exchange Continue to position Johor Port as the preferred commodity trading centre in the region Increase LNG bunkering services at Pasir Gudang Port Water Limit and Marine services for Gassing Up and Cooling Down ("GUCD") services at Petronas LNG Ltd ("PLL")'s Regasification Terminal in Pengerang Engaging Lembaga Koko Malaysia to receive support for positioning Johor Port as a Cocoa Trading Hub Continue to focus on business diversification into Offshore Inspection, Maintenance and Repair, Marine Advisory Services and LNG Bunkering Focus on service improvement at all terminals and system upgrading Warehouse Expansion programme for Conventional Terminal to increase storage capacity in Port through merger of existing warehouses resulting in additional 406,000 sqft of warehousing footprint and significant cost savings Increase productivity via replacement and refurbishment of port equipment |

STRATEGIC SNAPSHOT

| NORTHPORT (MALAYSIA) BHD ("NORTHPORT") | |
|--|---|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Costs and asset rationalisation Land use optimization Focused on developing three NDSB2 warehouses with a cumulative floor space of 349,771 sqft Dry bulk operational improvement Digitalisation initiatives including ERP implementation Proactive regulatory and industry stakeholder engagement | <ul style="list-style-type: none"> Achieved a new monthly container handling volume record of 310,865 containers in December 2020 Berthed the biggest dry bulk vessel in the port's history of 88,408 deadweight tonnage ("DWT") Biomass Logistics Hub recorded 274,149 tonnes from 32 vessels, 72% increase year-on-year Best HSE performance ever with Lost Time Injury Frequency ("LTIF") decreased to 0.61 First port to be accredited with ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification on 23 December 2020 Won the National Occupational Safety and Health ("NCOSH") Award 2019 in the Business Services category |

Refer to the Northport's subsection in the Operations Review, page 99 of this Annual Report for detailed information

| PENANG PORT SDN BHD ("PENANG PORT") | |
|---|--|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Attract and aggressively promote vessel lay up within the Penang Port limits Work as a group to give berth priority for main line operators to enhance more volumes and call activities at all MMC's ports Ensure infrastructure development and expansion works projects remain on track i.e. Swettenham Pier Cruise Terminal ("SPCT"), North Butterworth Container Terminal ("NBCT") and others Improving turnaround time and waterfront efficiency Implementing new yard strategies to reduce number of block utilisations Increase haulier turnaround time Efficient planning and execution of container operations and resource optimisation Driving business development through strategic partnerships, both local and foreign | <ul style="list-style-type: none"> Penang Port signed a Letter of Intent ("LOI") with Myanmar Offshore Supply Base ("MOSB") on 30 October 2020 to handle and store cargo, parts and supplies for Myanmar offshore drilling activities Overall cost reductions and increased gross moves per hour ("GMPh") and vessel turnaround time Development of internal competencies and reduced reliance on 3rd party contractors Various improvements in infrastructure and equipment, (new harbour cranes, etc.) |

Refer to the Penang Port's subsection in the Operations Review, page 102 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|---|--|--|
| <ul style="list-style-type: none"> COVID-19 pandemic will continue to have an adverse impact but will be mitigated once the vaccination programme in the trading partner countries are implemented | <ul style="list-style-type: none"> Emerging transshipment hub opportunities from the Indian subcontinent, the US and Trans-Pacific trade Protracted US-China trade war presents opportunities for RDC and FDI Land development for new ventures specifically RDCs, Biomass Logistics Hub and liquid tank facilities | <ul style="list-style-type: none"> Centralise container operations, depot and transloading activities Diversify and develop additional revenue streams Develop relationships with potential MNC customers, especially those looking to establish RDCs Undertake further land development activities to accommodate new ventures Continuously improve operational efficiencies Attract more transshipment RORO volume |

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|--|--|
| <ul style="list-style-type: none"> Slower than expected recovery in the cruise tourism segment post COVID-19 Global container shortage | <ul style="list-style-type: none"> Global trade awards incentivises companies to explore Malaysia, especially Penang and Kedah as a manufacturing or distribution hub Expected recovery in local hinterland and South Thailand cargo volumes Increased transshipment cargo from Bay of Bengal | <ul style="list-style-type: none"> Refurbishment of Rubber Tyred Gantry ("RTG") Development of liquid storage facility for petroleum products for the Northern Region Preserve and generate Intra-Asia direct connectivity Develop regional feeder connectivity i.e. Hub for Bay of Bengal Increasing ad-hoc calls Developing underutilised assets such as land, etc. Insourcing operations to reduce reliance and cost on 3rd party contractors Procure six computerised and systemised weighbridges to facilitate faster operations |

STRATEGIC SNAPSHOT

| TANJUNG BRUAS PORT SDN BHD ("TANJUNG BRUAS PORT") | |
|---|---|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Positioning Tanjung Bruas Port as a transshipment port to tap cargoes between East and West Malaysia Pursuit of strategic alliances with third parties to entice more cargo volume Completion ongoing infrastructure works Continued cost rationalisation activities Improvements in operational efficiency i.e. improving gross moves per hour, vessel turnaround times and overall waterfront efficiency | <ul style="list-style-type: none"> Tanjung Bruas Port Revised Masterplan approved by Government paving the way for a wide range of improvement works to enhance Tanjung Bruas Port's capacity and capabilities |

Refer to the Tanjung Bruas Port's subsection in the Operations Review, page 104 of this Annual Report for detailed information

| KONTENA NASIONAL BERHAD ("KONTENA NASIONAL") | |
|---|---|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Reduced operational hours as well as fleet and manpower rationalisation (for haulage operations) Retargeting towards businesses deemed essential services or still able to operate during the pandemic i.e. eCommerce fulfilment, pharmaceutical, fast moving consumer goods ("FMCG") retail and others Further diversification into specialised and niche markets i.e. high security and sensitive cargo Enhanced cargo tracking and logistics management systems and other systems towards harnessing greater productivity via digitalisation | <p>With regard to freight forwarding operations, 2020 saw a move towards 3PL capabilities</p> <p>Implemented business strategies in FY2020 on the back of COVID-19 pandemic impact:</p> <ul style="list-style-type: none"> Haulage Reduced downtime, faster turnaround time and increased fleet availability for haulage operations Warehouse and Yard 80% and 72% occupancy rates for warehouse and yard respectively. Growth in customer base Freight Forwarding Various contract extension with Government and private sector customers |

Refer to the Kontena Nasional's subsection in the Operations Review, page 106 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|---|---|---|
| <ul style="list-style-type: none"> Slower-than-expected economic recovery post-COVID-19, which may impact industries within the Melaka, Southern Negeri Sembilan and Northern Johor hinterland Challenge to source for suitable strategic partners with right capabilities to drive transshipment cargo volumes from Indonesia and East Malaysia Space constraints that limit Tanjung Bruas Port's expansion | <ul style="list-style-type: none"> Development of Melaka Waterfront Economic Zone ("M-Wez"), a new economic corridor by the Melaka State Government to entice high-impact investments Increase market share through demand for transshipment solutions Rebound in economic activity within the Melaka and Johor hinterland | <ul style="list-style-type: none"> Further entrench Tanjung Bruas Port as the distribution hub and gateway for Melaka and neighbouring states Further improve operational efficiencies and to reduce cost across the Tanjung Bruas Port business operations Expand conventional and containerised cargo volumes by working closely with existing customers from Melaka's industrial players Execution of the Tanjung Bruas Port Revised Masterplan to generate higher cargo volumes Strategic collaborations with third party in utilizing land/facilities to alleviate present limitation in port and jetty space |

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|--|---|
| <ul style="list-style-type: none"> Prolong pandemic COVID-19 may further impact the import and export volume Container haulage and 3PL competitor are dynamically updating the operations system to keep their business relevant to both B2B and B2C | <ul style="list-style-type: none"> The implementation of integrated systems for operations in September 2021 will boost the on-going plan for Kontena Nasional to become the 3PL provider in 2022 and attract more customers to transact with Kontena Nasional The extension of SST relief on private automobile for consumers until 30 Jun 2021 may boost the revenue to Kontena Nasional | <ul style="list-style-type: none"> Transform from into a Third Party Logistics ("3PL") service provider with Fourth Party Logistics ("4PL") capabilities |

STRATEGIC SNAPSHOT

MALAKOFF CORPORATION BERHAD ("MALAKOFF")

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|---|---|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> • Implemented preventive measures in line with Government mandated Standard Operating Procedures ("SOPs") across all operations. These included employee screening, social distancing, rotational shifts at corporate office as well as power plants, emergency responses in the event of infection among employees, etc • Utilising Alam Flora Sdn Bhd ("Alam Flora") to venture into sanitisation and disinfection services around Kuala Lumpur, Putrajaya and Pahang as part of the Government's efforts to contain the spread of COVID-19 • Continued pursuit of conventional power plant and water projects in Malaysia, ASEAN and Middle East and North Africa ("MENA") • Accelerated efforts in exploring renewable energy ("RE") opportunities • Pursuing value-accretive, green field projects and acquisitions • Expansion of operations and maintenance ("O&M") business • Continued pursuit of operational excellence at plants to meet PPA requirements | <ul style="list-style-type: none"> • Secured SPPAs land to develop RE projects in Melaka • Secured SPPA for several successful rooftop solar projects, such as for Johor Port and Northport • Secured Renewable Energy Power Purchase Agreement ("REPPA") for small hydro projects in Pahang • Secured a 2.4MW biogas project under Sustainable Energy Development Authority ("SEDA") • Established Port Reception Facility by Alam Flora Environmental Solutions at Northport |

Refer to the Malakoff's subsection in the Operations Review, page 110 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|---|---|
| <ul style="list-style-type: none"> Limited overseas expansion opportunities and limited new local projects/plants Stiff competition from strong industry players for new projects Regulatory and policy changes Management of bottom ash produced from conventional power plants Managing ageing assets and manpower planning due to expiring PPAs Sourcing for suitable strategic partners to undertake projects overseas | <ul style="list-style-type: none"> RE opportunities including Waste to Energy ("WTE") Explore potential emerging alternative technologies (e.g., thermal energy storage, etc.) Other prospects include, e-waste collection, Port Recovery Facility ("PRF") and Treatment, Storage and Disposal Facilities ("TSDF") | <ul style="list-style-type: none"> Development of internal technical and management skills Expanding existing RE portfolio and Waste Management and Environmental Services Implemented Plant Improvement Programmes Strict adherence to emission regulations Continued pursuit of greenfield and brownfield opportunities in the power, water and waste management/environmental service sector in Malaysia, ASEAN and MENA Remain on track to achieve long-term Aspirational Targets <ul style="list-style-type: none"> Conventional Power: 10,000 MW Water Desalination: 1,000,000 m³/day Renewable Energy: 1,000 MW Solid Waste Management: 10,000 tpd |

STRATEGIC SNAPSHOT

GAS MALAYSIA BERHAD ("GAS MALAYSIA")

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|--|---|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Initiated "Relief Measures" for selected customers due to COVID-19 and its ensuing impacts Extending the Natural Gas Distribution System ("NGDS") across Peninsular Malaysia Continued construction work on the Kinta Valley NGDS Project (about 98% completed) Ensuring safe and reliable gas delivery to local industries, commercial businesses and residences Exploring potentials within the industry value chain via diversification into non-regulated businesses Preparing to transition into a new business landscape with the implementation of Third Party Access ("TPA") | <ul style="list-style-type: none"> In FY2020, sustained gas supply reliability rate and improved average response time Completed the commissioning of an accumulated 132 kilometres of pipeline Progress on the non-regulated business ventures: Combined Heat and Power system and Virtual Pipeline 100% renewal of Gas Supply Agreements with industrial customers Conducted swab tests and sanitisation activities at all office premises |

Refer to the Gas Malaysia's subsection in the Operations Review, page 112 of this Annual Report for detailed information

ALIRAN IHSAN RESOURCES BERHAD ("AIR BERHAD")

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|--|--|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Development of new SOPs which do not just provide for prevention measures, but also measures to ensure continued operations if employees at the water treatment plant ("WTP") are infected. Measures included quarantine protocols for infected employees, replacement personnel or teams, revised working hours and shifts as well as issuance and use of Hazmat suits Continued efficient and uninterrupted WTP and wastewater treatment plant ("WWTP") operations to ensure water supply remains stable. This is vital as with the various MCOs imposed, the number of domestic consumers had increased in FY2020 Working closely with key client such as glove manufacturers to better meet their requirements, especially at the heights of the COVID-19 pandemic Continued business development activities, targeted at the industrial water sector and potential non-revenue water ("NRW") customers, within the Group and externally Employees skills development to reduce reliance on third party vendors Implementation of new technologies to increase water yield, reduce costs and derive increased efficiency | <ul style="list-style-type: none"> Secured three build-operate-transfer ("BOT") and two Engineering, procurement, construction and commissioning ("EPCC") contracts with total of 21,900 cubic meter per day treated water production |

Refer to the AIR Berhad subsection in the Operations Review, page 114 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|---|--|---|
| <ul style="list-style-type: none"> • COVID-19 related impacts and challenges • Increased competition with the implementation of TPA | <ul style="list-style-type: none"> • Increased demand for natural gas from the industrial, commercial and residential sectors • Potential to reach more customers via extension of the NGDS • Emerging business opportunities especially for the non-regulated business | <ul style="list-style-type: none"> • Continue to advocate natural gas as a clean energy alternative • Consolidate position in the non-regulated sphere of the gas distribution business • Increase focus on talent development • Expand NGDS network to underserved areas across Peninsular Malaysia • Fortify Information Technology ("IT") for business growth |

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|---|---|
| <ul style="list-style-type: none"> • Acts of terrorism, security breach, vandalism, theft, etc. that cause disruption to WTP/WWTP operations • Growing water scarcity due to climate change and other factors • Increasingly poor river water quality leads to increased treatment costs • Non-renewal of concessions • Change in Government regulations • Challenging incoming water and wastewater quality • Lack of skilled and specialised water industry talents • Comparatively low water tariffs in most state in Malaysia • Cost conscious market results in price wars among players and margins erosion | <ul style="list-style-type: none"> • Expansion to other states in Malaysia • Every state water has issue on reserve margin, which necessitates the construction and operations of more WTPs • Rehabilitation and pipe replacement work to minimise NRW • Growing water consumption due to population, industrial and economic growth • Government is promoting of greywater reclamation for non-potable/industrial use | <ul style="list-style-type: none"> • Secure additional operation and maintenance contracts among municipal • Secure additional short-and long-term industrial water, wastewater and water recycling contracts within the private sector. Specific industries such as glove manufacturers to be targeted • Develop strategic partnerships with OEM product manufacturers • Further expansion in NRW market • Develop branding and market reputation • Strengthen the internal engineering team |

STRATEGIC SNAPSHOT

| ENGINEERING DIVISION | |
|---|--|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Restructuring of project milestones and deliverables due to work stoppages and delays caused by the movement control order ("MCO") restriction Renegotiation with clients, subcontractors and suppliers on project terms and conditions towards ensuring project sustainability and to control cost outlay Adherence to the Government mandated SOPs for COVID-19 in relation to construction works and construction sites With reduced tenders being called, the division increased its Private Finance Initiatives ("PFI") proposals to both the Government and the private sector Business and operational streamlining towards driving further alignment to the Group's Strategic Plan. Continued to seek and secure projects from within the Group | <ul style="list-style-type: none"> Order book size of RM2.95 billion as at 31 December 2020 Secured the following projects: <ul style="list-style-type: none"> Northport Warehouse Swettenham Pier Cruise Terminal ("SPCT") Senai Airport City DP12 Tanjung Bruas Jetty Extension |

Refer to the Engineering Division's subsection in the Operations Review, page 118 of this Annual Report for detailed information

| INDUSTRIAL DEVELOPMENT DIVISION | |
|--|---|
| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Prudent cost and cash flow management Enhance value proposition via implementation of "Plug-and-Play" development model offers ready platform, infrastructure and utilities such as power, water, natural gas and telecommunication lines accelerate the competitiveness of businesses and industries Targeting specific industrial sectors that saw high growth during COVID-19 pandemic e.g. logistics providers, e-commerce last mile fulfillers, pharmaceutical and FMCGs Targeting segments that are aligned to Government promotional activities i.e., electrical and electronics ("E&E"), logistics, etc. Offers value propositions for companies to shift from older industrial parks Continuing to engage with supply chains and OEM suppliers of anchor MNC players Continued close engagement with state and federal Government agencies in identifying new investment and expansion opportunities from existing investors | <p>Senai Airport City Secured land sales of approximately 40 acres and sales pipeline of approximately 90 acres</p> <p>Tanjung Bin Industrial Park Development of Sungai Pulai Bridge is ongoing. Scheduled completion in June 2022</p> <p>Northern Technocity The masterplan and earthwork approval obtained from local authority and currently finalising necessary approval for the development target to commence in second quarter 2021</p> |

Refer to the Industrial Development Division's subsection in the Operations Review, page 124 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|---|---|--|
| <ul style="list-style-type: none"> • Depletion of order book • Lack of mega infrastructure projects in Malaysia • Limited Government procurement via open tender • Competitive pricing by foreign competitors • Lack of proven subcontractors • Potential project delays leading to deferred project completion and costs overrun • Rising costs of raw materials and labour | <ul style="list-style-type: none"> • To adopt a proactive stance by proposing unsolicited engineering projects and financing solutions to the Government and private sector • Opportunities for private finance initiative ("PFI") projects and projects involving technology and automation • Budget 2021 offers new large-scale projects i.e. KVMRT 3 and others • Leveraging on Budget 2021 increased Development Expenditure by 38% | <ul style="list-style-type: none"> • Order book replenishment by targeting projects that can be repaid by Government via suitable repayment scheme • Improving tender bids to enhance competitiveness against the competition • Enhancing technological capabilities via strategic partnerships • Focusing on projects in niche sectors where the division has a competitive edge through proven track record and expertise • Achieving balance between short and long-term contracts |

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|--|---|
| <ul style="list-style-type: none"> • Longer than expected economic recovery post COVID-19 pandemic, which may impact investor appetite and business sentiment • Late completion of infrastructure projects due to disruption in works caused by the varying movement control orders • High development cost requiring substantial upfront CAPEX • Continued stiff competition for foreign direct investment ("FDI") with neighbouring countries • Increasing competition from local and foreign players i.e., ready built factories, built-to-suit facilities, etc. • Uncertainty on government policies may cause delays in obtaining development approvals hence less attractive for FDI | <ul style="list-style-type: none"> • Expected economic recovery and rebound in investments post COVID-19 pandemic • RCEP agreement paves the way for greater free trade and thus greater FDI inflows • Budget 2021 provides stimulus to the local economy e.g. extension for tax incentives under PENJANA. Tax rate of 10% for Global Trading Centre for a period of 5 years and etc • Future strategic collaborations with other developers to pool resources for more effective investors acquisition strategies e.g., built and lease model | <ul style="list-style-type: none"> • Attract more strategic domestic direct investment ("DDI") as well as FDI in the wake of an economic recovery in FY2021 • Key industries targeted are Hi-Tech Manufacturing & Logistics industries such as E&E, F&B, warehousing, and FMCGs • To continue enhancing value proposition of the industrial development by prioritising investment • Continue exploring Joint Ventures with niche developers/investors for Build and Lease industrial facilities • Targeting MNC's by positioning our industrial development as preferred location for principal and global trading hub due to its strategic location and existing ecosystem |

STRATEGIC SNAPSHOT

SENAI AIRPORT TERMINAL SERVICES SDN BHD ("SENAI INTERNATIONAL AIRPORT") (AERO)

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|--|--|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Amidst declining passenger volumes and dwindling aero revenues, Senai International Airport's focus on continuous cost optimisation initiatives and to generate revenue via alternative strategies i.e. land sales and cargo/logistics operations Restore public confidence by implementing COVID-19 preventive measures and SOPs as mandated by the Government Aggressive engagement with new and existing airlines to evaluate the viability of restarting flight operations to existing and new destinations Request financial support from the State and Federal Government to ease and extend commitment schedule Strategic collaborations with various eco-system players i.e. IRDA, Tourism Johor, Tourism Malaysia and other key players to encourage airlines to operate into Johor Bahru by proposal to give out marketing incentives | <ul style="list-style-type: none"> Cost savings up to RM11 million equivalent to 30% of overall operating cost While passenger volumes declined by 74%, the strategic efforts have enabled Senai International Airport to retain as much as 69% of cargo volume contributed by the following segments: <ul style="list-style-type: none"> Charter Freighters E-commerce cargo Oil and gas Flight trucks |

SENAI AIRPORT TERMINAL SERVICES SDN BHD ("SENAI INTERNATIONAL AIRPORT") (NON-AERO)

| BUSINESS STRATEGIES | OUTPUTS, PERFORMANCE HIGHLIGHTS AND ACHIEVEMENTS, VALUES CREATED |
|--|---|
| <p>Implemented business strategies in FY2020 in response to the operating environment including COVID-19:</p> <ul style="list-style-type: none"> Maintain tenancy occupancy rates via rental waivers/discounts for existing tenants and revised rental schemes for new tenants Free Parking campaign during lunch and dinner hours to attract more visitors from the surrounding community to shop and dine Complimentary marketing support via Senai International Airport social media platforms to assist retailers and F&B operators in attracting more customers Implementation of the online food delivery service applications i.e. GrabFood and FoodPanda by F&B tenants to adapt with the new norms consumer behaviour | <ul style="list-style-type: none"> Successfully maintained 78% occupancy rate throughout FY2020 Secured new advertisers and contract renewal extension for existing advertisers Secured 1.5-acre land lease for a petrol station |

Refer to the Senai International Airport's subsection in the Operations Review, page 125 of this Annual Report for detailed information

STRATEGIC SNAPSHOT

| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
|--|---|---|
| <p>The pace of recovery for the aviation sector will largely depend on how effective the measures are in controlling COVID-19 going forward:</p> <ul style="list-style-type: none"> Progress of vaccine rollout will influence the medium-to-long term outlook of the aviation industry Border controls and quarantine measures set by the Government which may reduce demand for air travel Changes in passenger behaviour with telecommunicating and online conferencing facilities may reduce the demand for business travel Job losses and reduced households income affecting the demand for leisure market | <ul style="list-style-type: none"> Continued economic growth in the Iskandar Malaysia region Growing demand for air cargo movement due to a booming e-commerce industry Potential rebound in tourism activities: sports, medical, shopping, eco-tourism and edu-tourism upon the effectiveness of vaccines | <ul style="list-style-type: none"> To plan and get the airlines ready to resume all domestic routes connectivity in preparation for border opening and easing of travel restriction To attract freighter operators in response to the booming demand of e-commerce cargo movement To work closely with cargo integrators and agents i.e. FedEx, UPS, DHL, TNT, MasKargo, Pos Ace, J&T, ABX Express and other key players |
| POTENTIAL RISKS, ISSUES AND CHALLENGES | OPPORTUNITIES | STRATEGIC PRIORITIES |
| <ul style="list-style-type: none"> Slow economic recovery especially in the retail sector may lead to tenants opting for early termination as they are unable to sustain their cost of operations Waiver and rental discounts may impact non-aero revenue performance going into FY2021 Fixed OPEX for maintaining existing airport infrastructure, equipment and utilities to meet the regulatory requirements amidst declining revenues | <ul style="list-style-type: none"> Opportunity to refresh the tenant mix with higher quality, more market-oriented brands and products Blue ocean strategies to target online business owners to establish a physical business outlet at Senai International Airport | <ul style="list-style-type: none"> Beyond promoting retail space, to continue leveraging on Senai International Airport's strategic location and growing brand name as a location for meetings, trainings and events To retain retailers and tenants and ensure their sustainability through rental relief package To fill up vacant retail lots with new brands at an attractive rate To promote the available land banks internationally through MIDA, IRDA, and locally through realty property agents, besides own business development team To promote Senai Airport Aviation Park on targeted Maintenance, Repair and Operations players |





Ports and Logistics

Serving as the Nation's Global Gateway

MMC's ports are the strategic gateways for national trade and commerce, vital to spurring economic growth. Within Malaysia's export-driven open economy, our ports generate tremendous value across a large number of industries, sectors and supply chains.



OPERATIONS REVIEW

PELABUHAN TANJUNG PELEPAS SDN BHD

OPERATING ENVIRONMENT

The first quarter of FY2020 was promising with Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") registering strong growth on both the business and operational fronts.

However, Coronavirus Disease 2019 ("COVID-19") began to disrupt the good momentum built at the start of the financial year. The pandemic impacted global and regional maritime trade and with the imposition of the Movement Control Order ("MCO") in March 2020 in Malaysia, PTP's second quarter performance saw negative growth. Although the port's operations were deemed as essential services and hence allowed to operate, local cargo and Free Zone volumes were still affected during the lockdown period.

Though the onset of COVID-19 had brought on a new set of business challenges and complications, the pandemic had also contributed to a movement of trade and goods in PTP's favour in the second half of FY2020. With the resumption of economic activity from May 2020 onwards, PTP's performance improved considerably, supported by a surge in transshipment volumes arising from backlog demand. Additionally, PTP's cargo volumes also benefited from the congestion issues faced by the neighbouring Singapore port.

Pent up post-COVID-19 demand for consumer goods and a significant container trade imbalance experienced by the 2M partners contributed to the increase in cargo volumes and ultimately increased handling revenue for PTP. In particular, local cargo volumes improved as manufacturers ramped up production and export activities to clear COVID-19 backlogs.

The performance of shipping alliances rebounded in the second half of FY2020 in tandem with improved trade between China, Europe and the transpacific region.

T.S. Lines, Taiwan's fourth-largest shipping company, joined a six-sailing PTP call frequency per week through a slot swap agreement with Sealand - Maersk on the IA1, IA3 and IA8 services. Not only has this strengthened PTP's intra-Asia service network, it has also demonstrated the port's entrepreneurial spirit of flexibility, mobility and innovation.

The strings of intra-Asia services offer customers flexibility in terms of the number of frequencies available at PTP as well as choice of carriers and competitive freight. The direct calls from PTP provides mobility to customers in having their shipments arrive at destinations within a shorter length of time. This, coupled with

digital transformation of equipment and systems has enabled PTP to achieve increased efficiencies and productivities.

Local manufacturer Konica Minolta, based in Melaka, diverted its shipments from Port Klang to PTP port as an alternative gateway. However, Evergreen Marine Corp's ("Evergreen") trading volumes declined year-on-year due to its services and capacity being reduced by the influence of the Ocean Alliance network concentration in PSA.

PTP ended the financial year having surpassed its cargo volumes and profit targets for FY2020. The deployed COVID-19 business continuity plan enabled port operations to maintain a high degree of productivity while ensuring adherence to all Standard Operating Procedures ("SOPs") to keep employees and stakeholders safe.

PTP also continued its efforts under 'PTP Way of Working' initiative framework to counter global uncertainties and to make PTP fit for growth amidst a still turbulent and uncertain future business environment. This initiative includes 'Lean For All' problem-solving tools and PTP values as part of the changing dynamic of how the company approaches its business and working culture.

BUSINESS AND OPERATIONAL PERFORMANCE

In FY2020, PTP posted a revenue of RM1.5 billion, an increase of 12% year-on-year (FY2019: RM1.3 billion) with Profit Before Tax ("PBT") and Profit After Tax ("PAT") also improving by 48% and 69% respectively year-on-year. (PBT FY2019: RM207 million and PAT FY2019: RM135 million).

Container cargo volumes as of 31 December 2020, stood at 9.85 million TEUs, marking an 8.5% year-on-year growth (FY2019: 9.07 million TEUs). Additional volume was mainly attributed to the sharp increase in ad hoc calls.

Along with continued cost-saving initiatives, PTP also undertook proactive cash preservation measures by replanning its major capital expenditure ("CAPEX") schedule.

Performance Milestones

PTP broke records and achieved various milestones in FY2020. One of its highlights was the Operations team logging the highest all-time move record in a month, with a total of 967,783 twenty-foot equivalent unit ("TEUs") in December 2020. This surpasses the previous record of 922,800 TEUs set in November 2020.

PTP also successfully logged the highest TEUs and tonnage record in the Maersk fleet Triple E class (*2nd Generation*) category, with the highest vessel utilisation of 19,388 TEUs/186,408 tonnes

OPERATIONS REVIEW

(*Munich Maersk*). This surpassed the previous records of 19,344 TEUs (*Murcia Maersk*) and 185,723 tonnes (*Manchester Maersk*) in November 2020.

The Operations team also secured the highest Port Moves Per Hour ("PMPH") for the South Africa Service Bound (*Maersk Amazon*) with a record of 184.6 PMPH, yet another record surpassed the 164.38 PMPH set in January 2017.

The key to these record-breaking accomplishments was PTP's continued efforts in working closely with shipping liners to attract empty containers and to induce volume by encouraging shippers to consolidate their volumes at PTP as the port offers efficiency and productivity.

In addition, PTP deployed additional gangs to cope with the incoming volume and to ensure optimal service quality to meet and exceed customers' requirements.

HIGHLIGHTS AND DEVELOPMENTS

Port Asset Upgrades and Infrastructure Works

In FY2019, PTP initiated several improvement projects as part of its "Ipsum Magna" programme (Latin for "great optimisation") to increase the port productivity and its terminal footprint capacity. These initiatives were designed to maximise the capacity of the existing terminal Phase 1 and 2 footprint. The programme is expected to be continuously refreshed with new projects and initiatives over the next five to 10 years.

In FY2020, strategic initiatives under the Ipsum Magna programme include replacement of existing Ship-to-Shore ("STS") quay cranes and Rubber Tyred Gantry ("RTG") cranes as well as reviewing and making improvements to the electrical network. Asset digitisation was also part of the Ipsum Magna agenda.

FY2020, PTP received eight Ultra Large Container Vessel ("ULCV") STS quay cranes. The cranes have a lifting capacity of 65 tonnes and can handle containers over 24 rows across ULCVs. This is part of PTP's Asset Management Strategy to increase container handling capacity and service reliability, while maintaining high safety standards.

At the same time, 10 fully Electric Twin Lift RTG cranes were also delivered. These battery-powered, energy-efficient E-RTGs produce zero greenhouse gas emissions. They demonstrate PTP's continued efforts towards creating more sustainable port operations. In FY2020, 33 out of 35 existing RTGs were refurbished with the remaining two expected to be completed by early FY2021.

On a separate note, a pilot project has been launched for the upgrade of the wharf road with the aim of resolving damages to the wharf road behind Berth 7 to Berth 12 (Block 10 to Block 18). The upgraded section will be evaluated for six months before proceeding with restoring the remainder of the road.

The port's Sewage Treatment Plant ("STP") is designed with a capacity of 35,000 Population Equivalent ("PE"), with 2 modules. The existing STP Module 1 exceeded its design capacity of 17,500 PE and was unable to support the future expansion of the Free Zone areas, namely Tanjung Adang, Phase 3, 4 and 5. The construction of Module 2 commenced in FY2020 and is targeted for completion by early FY2021.

Despite COVID-19 restrictions, PTP received the necessary permissions for its infrastructure works to proceed. As such, in May 2020, dredging works to deepen the navigation channel resumed in entirety. The project will ensure that the new generation of ULCVs can safely navigate in and out of PTP under all tidal conditions. A portion of the dredged material will be stored for future reclamation activities.

On a related note, FY2020 saw the formation of an Asset Integrity team. The team is tasked to address equipment deficiencies by identifying the root causes of issues, analysing data and developing rectification plans.

Manpower and Outsourcing

A major roster system change was successfully implemented to align rest periods for terminal workers without affecting service delivery. The manpower localisation policy also continued into FY2020, with foreign workers being phased out upon the expiry of their contracts and replaced with local workers.

In addition, PTP continued to train internal employees to take over equipment maintenance from external contractors. Developing multi-skilled technicians internally is expected to lower costs by optimising trained existing workforce and improving equipment availability. For example, general performance of our spreader equipment has increased to 94% as compared to 89% in overall post the upskilling of internal employees.

ERP Implementation and Digitalisation

As part of the digitalisation initiative, various smart mobile applications were rolled out to connect terminal workers to real-time operational activities, thereby encouraging productivity and performance-based behaviour.

OPERATIONS REVIEW

Despite the pandemic and the lockdown, PTP managed to go live with its ERP Employee Self Service module. The module allows employees to apply for leave through a mobile application. PTP also successfully rolled out the Payroll module, through which employees can access their payroll details online via a mobile app. The implementation of this system is part of PTP's continuous effort to empower its digital strategy and enhance its operational efficiency.

Free Zone Development

On 19 June 2020, PTP signed a 10-acre land sublease deal with Tiong Nam Logistic Solutions. Other notable Free Zone highlights include the lease of 61,000 square feet ("sqft") to a Japanese logistics service provider, Sankyu for its Regional Distribution Centre ("RDC"). The RDC will export Personal Protective Equipment ("PPE"), in response to the COVID-19 pandemic. Two American companies, Honeywell and Crate & Barrel also launched their RDCs. Honeywell is a leading PPE provider while Crate & Barrel is an internationally renowned home furnishings and accessories retailer.

As at 31 December 2020, a total of 90% of Free Zone space in Phase 1 and 2 has been sublet to various local and global companies. We are presently developing Phase 2C comprising 80 acres for prospective leasing in FY2023. PTP also obtained approval to amalgamate 32 small plots at Free Zone Phase 3 into four larger plots, thereby making the available space more conducive and attractive for investors.

In a more recent development, PTP is working on the Tanjung Adang development, which is an expansion of the existing Free Zone 2 area. The Environmental Impact Assessment ("EIA") for the development was approved in January 2021.

OUTLOOK AND PROSPECTS

The general outlook is that FY2021 will see the global economy returning to positive growth after contracting significantly in FY2020. The availability of COVID-19 vaccines give impetus to a stronger recovery, with economic growth trajectory pointing to a rebound after the lifting of lockdown measures.

In addition, the Regional Comprehensive Economy Partnership ("RCEP") provides a strong basis for trade growth through lower tariffs, simplified customs procedures, streamlined rules of origin and greater discipline in terms of non-tariff measures.

Responding proactively to the current operating environment, PTP will open up more land capacity for Free Zone development. In addition, the current terminal footprint will be improved in terms of resources, equipment and skill sets to cater for future volume and capacity.

More and more countries are seeking out resilient production centres to support their market shares of global trade. Strategically positioned free zones are more appealing in the current environment due to their specific and ring-fenced commercial offerings.

Shipping lines are sourcing all terminals within the Southeast Asia region for their storage capacity and our neighbouring ports are aggressively offering capacity guarantees in response to COVID-19. Despite this tactic, Main Line Operators ("MLOs") are approaching PTP to off-load a large number of empty containers for medium-term storage. These empty containers will be in temporary storage at PTP for three to six months and the MLOs will evacuate them when the global economy and consumption demand recovers. Notably, besides a competitive Terminal Handling Charge to attract those volumes, free empty storage terms will be a key element for shippers when deciding at which port to offload their empty containers.

Looking forward, PTP's strategic priorities for FY2021 are to increase standardisation of services and operations, while improving customer service, and the financials to generate a stronger cash flow.

Smart industrial technologies such as big data and automation will form part of PTP's digital logistics approach and 'Smart Port' vision. An expansion of contactless services will rapidly accelerate these, along with a greater focus on port safety and security.

A key focus area for FY2021 is promoting our hub port efficiencies through increased terminal capacity and targeting ULCV. PTP will continuously improve its infrastructure to provide these ULCV with reliable services.

Equally important is the expansion of the Tanjung Adang Free Zone to entice more RDC players to invest in, and re-locate to PTP. As a result, local economy will be spurred with the potential job creation.

OPERATIONS REVIEW

JOHOR PORT BERHAD

OPERATING ENVIRONMENT

Based on the first three months of the year, Johor Port had shown strong growth potential for FY2020, represented by a 6% increase in container volume as compared to the first quarter of FY2019. With the onset of the MCO ("Movement Control Order") in mid-March 2020 which shut down a large number of industrial sectors, volume was affected and April alone saw a 34% mark on overall decline. However, volume recovered in May 2020 as economic sectors reopened with the replacement of the strict MCO with the Conditional Movement Control Order ("CMCO").

Towards the end of FY2020, container volumes increased on the back of the peak season for west-bound cargoes. However, a global container shortage prevented shipping lines from taking full advantage of the potential demand. A spike in COVID-19 cases in the later part of the year had also impacted volumes.

In response to the challenging operating environment, Johor Port continued to focus on its key strategic priorities. This included cost management and operational efficiencies by negotiating with suppliers and vendors. The operating company continued to be driven by the MMC's port wide initiatives of Take Cost Out and Get Revenue in FY2020.

In addition, strategic efforts were undertaken on developing other aspects of its operations. This included focusing on Liquefied Natural Gas ("LNG"), Bunkering and Marine Services as well as continued negotiations with main line operators to secure container and cargo volumes. The latter effort led to the securing of six new services.

Stakeholder engagement was also prioritised in FY2020 towards ensuring the Government and its agencies had a clearer view of Johor Port's requirements and the required support needed for infrastructure works.

Last but not least, infrastructure works also saw an encouraging level of progress. The works will expand the port's operational capability and capacity to drive business growth.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

In FY2020, Johor Port registered a revenue growth of 1.5% year-on-year totalling RM548 million (FY2019: RM540 million). PBT and PAT for the financial year stood at RM162 million and RM102 million respectively (PBT FY2019: RM170 million; PAT FY2019: RM120

million). The additional revenue was contributed by additional Marine Services at LNG Pengerang together with higher space utilisation of warehouses.

As at 31 December 2020, container and conventional cargo volumes stood at 1.0 million TEUs and 17.3 million Freight Weight Tonnes ("FWT"), registering a year-on-year decrease of 4% and 5% respectively (FY2019: 1.0 million TEUs and 18.2 million FWT).

A 5% reduction in operating costs was recorded through contract management, resulting in savings of RM2 million in FY2020. Johor Port's Container Terminal registered 23 Gross Moves Per Hour ("GMPH"); an improvement of 15% compared to 2019. In addition, vessel waiting time improved by 52%, dropping from 6.5 hours in FY2019 to 3.1 hours in FY2020.

Johor Port achieved a savings of RM21 million or 9% for direct operating cost as compared to FY2019. In addition, its Bulk and Breakbulk Terminal ("BBT") met the handling productivity target set by the Lembaga Pelabuhan Johor ("LPJ") for all types of cargoes.

HIGHLIGHTS AND DEVELOPMENTS

Recognition as an Approved Delivery Point for Commodity Exchanges

Johor Port is currently the Approved Delivery Point for the following Exchanges:

- London Metal Exchange ("LME") (non-ferrous metals)
- Chicago Mercantile Exchange ("CME") (palm oil and other soft commodities products)
- Asia Pacific Exchange ("APEX") (palm oil futures market and other derivative commodities)
- SP Global Platts ("PLATTS") global provider of information and benchmark prices for energy, metals, petrochemicals and agricultural goods)
- FTSE Bursa Malaysia KLCI ("FBM KLCI")

The accreditation by these International Commodity Exchanges has further distinguished Johor Port as a major Commodity Hub and Trading Centre and will encourage overseas-based traders to utilise the port's warehouse space.

In particular, the recognition accorded by the aforementioned International Exchanges will also Johor Port as a Regional Commodity Hub in attracting more agro-products from the Indonesian islands to Johor Port for eventual re-distribution via containerised and loose form to consumer markets regionally.

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Johor Port has also been active in pursuing Approved Delivery Point/ Designated Warehouse Location status from other Exchanges during the year. In particular, the port has reached an advanced stage of discussion with the Dalian Commodity Exchange, Shanghai Futures Exchange and Zhengzhou Commodity Exchange. It will also continue to engage with the Intercontinental Commodity Exchange towards attaining Approved Delivery Point/Designated Warehouse Location status for coffee and cocoa.

In accommodating future demand and to position Johor Port as a Commodity Trading Centre, warehouse expansion programmes have been initiated for the Conventional Terminal (CAPEX: RM47 million). The project is expected to be completed by FY2026.

Progress Achieved on the Port Expansion Plan

Phase 1 of the port expansion exercise comprising of the rehabilitation of the Empty Container Yard and Rail Yard (beside Sungai Perembi) was completed in March 2020. This comprises 300 ground slots and six-high stackings.

Phase 2 commenced immediately and is targeted to be completed in FY2021. It comprises the demolition of the Johor Port Container Service warehouse and the conversion of the Empty Container Yard into a proper Empty storage and Laden container area with a capacity of 660 ground slots with 5-high stackings. Phase 3 comprises of the rehabilitation of 17 blocks of existing Container Yard space which began upon the completion of Phase 2 and is scheduled to be ready by January 2022.

Progress Achieved on the Five-Year Equipment Replacement and Refurbishment Plan

A wide range of upgrades and refurbishment of port equipment was undertaken in FY2020. This includes the addition of a quay crane to bring the total number to nine in November 2020.

In addition, replacements, retrofitting and refurbishments were performed on various quay cranes at the port. This enables Johor Port to deploy its full capacity of quay cranes, resulting in increased operational productivity.

Liquified Natural Gas ("LNG") Bunkering

Also a major milestone, the first LNG Bunkering operation was successfully carried out at Johor Port anchorage on 9 November 2020, with pilotage and towage support from Johor Port Marine Services. There were several engagements conducted with Petronas Dagangan Berhad prior to embarking on this exercise.

Johor Port's Marine Services is also finalising the Marine Terminal Service Agreement ("MTSA") for LNG bunkering with Petronas Dagangan Berhad ("PDB").

With that, Johor Port can now further expand its LNG bunkering operations, as the Pengerang LNG bunkering hub is strategically located close to Singapore (which is presently the main hub for LNG bunkering in the East Southern Region).

Negotiations with Main-Line Operators and Strategic Partnerships

A notable highlight of FY2020 was the securing of six new services, mainly to the Intra-Asia region. Sealand deployed SH2 services with 400 moves per call in September 2020 and China Ocean Shipping Company deployed its China Malaysia Express ("CME") in October 2020. The other incoming services were from Evergreen ("JPIB"), PELNI Lines ("MIS"), Evergreen and Wan Hai Lines.

Johor Port Berhad had also signed a Memorandum of Understanding ("MoU") with UTMSPACE to develop and offer professional qualifications in Port and Logistics Management. Three professional programmes will be developed under the MoU: Professional Certificate in Port Management, Professional Certificate in Logistics Management and Professional Master in Port Management.

The programmes are structured to provide port workers with specialised knowledge to hone their competencies towards ensuring improved port operations while developing a network of professional contacts to develop their careers. The programmes also entail industrial attachments to provide participants with practical port management experience and to enable them to stay abreast of evolving industry requirements and developments.

Stakeholder Engagement

In another key development, Johor Port initiated Project Zero Waiting Time ("ZWT") with Ministry of Health ("MOH") in FY2020 to minimise the waiting times of vessels berthed at the port. A new guideline from MOH Johor, known as Pratique on Arrival ("POA"), was introduced.

Under this new guideline, MOH will give 'pratique without onboard checking' for low-risk vessels after reviewing the vessel documentation submitted via email. As a result of this initiative, the number of vessels physically inspected by MOH officers was reduced by 70%, significantly cutting waiting time at Johor Port.

OPERATIONS REVIEW

Marine Services

As mentioned earlier, in response to the external factors impacting operations, Johor Port focused on alternative services such as Marine Advisory Services. This includes encouraging vessels to lay up and temporarily anchor within the Pasir Gudang Port Limit. Various marine vessel and rig owners took up the services resulting in temporary anchorage and bunkering activities increasing by 60% year-on-year in FY2020.

OUTLOOK AND PROSPECTS

FY2021 industry outlook will remain influenced by the global economic recovery trajectory. Given that shipping lines are seeing steady growth in gateway and transshipment volumes, global maritime trade is expected to recover next year.

Offshore vessel activity is expected to grow due to restrained energy resources in the region. Johor Port Marine Services also anticipates an increase in vessel volumes through its private jetties, as the Pengerang Terminal Two Plant is expected to be fully operational after the fire incident in FY2020.

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

Leveraging on the success of its status as a LME and Palm Oil port, Johor Port will look to strengthen its credential as a Cocoa Trading Hub.

Johor Port is currently working with LKM in the formulation of their Cocoa Trading Hub report in order to get their support and endorsement for Johor Port to be announced as the Cocoa Hub. Lembaga Koko Malaysia ("LKM") and the Ministry of Plantation Industries and Commodities ("MPPIC") will select a suitable port to be recognised as the Malaysia and Regional Cocoa Hub.

We are also engaging other global Exchanges, including the Intercontinental Commodity Exchange ("ICE") for coffee and cocoa and New York Stock Exchange ("NYSE") Liffe for coffee. In addition, Johor Port is in advanced discussions with three commodity exchanges in China. These are the Dalian Commodity Exchange, the Shanghai Futures Exchange and the Zhengzhou Commodity Exchange. We aim to position the port as the preferred Commodity Trading Centre in the region.

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

In ensuring efficient Marine Service within the Pasir Gudang Port Limit, the port aims to charter an additional tugboat and pilot boat to support the growing requirements. Johor Port's Marine Services will continue to provide a full range of Marine Service for all types of vessels.

Our main business model will focus not only on sustaining Marine core services, but also on enhancing non-core services. The port will continue to drive business diversification into Offshore Inspection, Maintenance and Repair, Marine Advisory Services and LNG Bunkering.

Four jetties are planned for rehabilitation by FY2022. Johor Port anticipates completing the replacement of its Marine Loading Arm by FY2021. The Liquid Jetty Expansion to 20 million FWT per year, which is scheduled to take place between FY2023 and FY2025, will include two additional berths.

Also in the pipeline is the replacement of two RTG units towards achieving 34 units by FY2022. An additional eight terminal tractors will be added to bring the total fleet size to 50 by FY2021.

Looking forward, a strategic priority for FY2021 is to ensure zero incidents involving vessels. Johor Port also intends on maintaining vessel movements without delays at 97% and above. These benchmarks are over and above the full support for all non-core services, such as Offshore vessel activity, Marine Advisory, LNG gassing-up and cool down ("GUCD") and bunkering.

NORTHPORT (MALAYSIA) BHD

OPERATING ENVIRONMENT

The COVID-19 pandemic and implementation of lockdowns across the world in response to the pandemic had significantly impacted global economic activities and trade. The disruptive effects were felt across a wide range of economic sectors and industries both globally and domestically. Consequently, many of Northport's customers were also affected as the sudden and abrupt halt to their business operations affected business operations and invariably, financial performance.

Besides the pandemic, other headwinds faced in FY2020 include governmental policies, the ongoing US-China trade war and intensifying competition of neighbouring ports.

OPERATIONS REVIEW

One of the ensuing impacts was reduced ability to clear the traffic congestion that built up in the yards from import containers arriving during the lockdown. However, progressively over time, port operations and employees successfully adjusted to the challenging operating conditions to overcome port congestion and various other issues to restore productivity.

Despite FY2020 being the most challenging year, Northport continued to leverage on the various opportunities that came its way. This includes re-strategising growth plans towards developing a comprehensive three-pronged strategy that entails reconfiguring existing terminals, optimising land use and asset rationalisation.

Essentially, COVID-19 presented management with opportunities to seek operational efficiencies and to further strengthen its cost base. The Group's Take Cost Out, Get Revenue In initiative was pursued with further focus to trim down any remaining wastages and inefficiencies across port operations.

Every business process was strategically scrutinised to uncover potential areas for improvement. On the back of this approach and other strategic initiatives undertaken in FY2020, Northport achieved significant cost savings that contributed to an improved business and financial performance.

Despite a turbulent financial year, Northport achieved a new-high monthly container handling volume record of 310,865 TEUs in December 2020. This surpasses the previous June 2012 record of 304,928 TEUs.

Northport also had the privilege of berthing the biggest dry bulk vessel in our history, at a volume of 88,408 Deadweight Tonnage ("DWT"). This was made possible by approval granted by the Port Klang Authority ("PKA") to Northport in July 2020 to berth dry bulk vessels of up to 90,000 DWT displacement. The decision came on the back of rising demand for deeper vessel draft that provide economies of scale to customers. Northport was able to offer vessel productivity of 10,000 DWT per weather working day due to its improvement in processes and productivity. Consequently, in FY2020, six vessels with more than 80,000 DWT displacement berthed at Northport.

Having gone through and developed many insights and learnings from a turbulent FY2020, Northport stands ready to compete and strive in the coming financial year while priming itself to grasp the emerging opportunities for value creation going forward.

While putting the aforementioned strategies into action, the port is still focused on combatting the financial effects of COVID-19 by optimising expenses through effective cost-cutting and prioritising spending to essential activities.

BUSINESS AND OPERATIONAL PERFORMANCE

On the back of increasing revenues and enhanced operational efficiency, Northport's PAT rose 25% year-on-year to reach RM82 million (FY2019: RM65 million). This was the best PAT performance since FY2016.

Despite the continuing US-China trade war and the COVID-19 pandemic, container revenue still improved by 1% in FY2020, to RM452 million (FY2019: RM446 million), mainly due to higher container throughput. Cost cutting measures and prudent spending further improved our gross profit margin for the container business segment from 23% to 27%.

At the same time, Northport's Get Revenue In initiatives delivered additional revenue of RM5 million. This resulted in total revenue of RM664 million in FY2020, which represents a 1% improvement year-on-year (FY2019: RM660 million).

Northport's concerted efforts to manage and reduce capital and operational expenditures resulted in savings of RM13 million for the financial year, which was 15% above target. The port achieved this through a combination of contract negotiation or consolidation, asset rationalisation, and general reductions in administration and people-related costs.

On a related note, the manpower rightsizing exercise initiated in FY2020 resulted in a 9% reduction in staffing costs. The rationalisation was undertaken with no disruption to service delivery or productivity levels with the implementation of job rotation opportunities for employees.

A concerted focus on improving the operational performance succeeded in raising the container handling productivity levels to 28.04 MPH from the 24.93 MPH achieved in FY2019 (an increase of 13%). This was the result of a full year's record of the six new quay cranes purchased in 2019 and effective equipment rationalization through the mothballing and disposal of unproductive equipment.

OPERATIONS REVIEW

HIGHLIGHTS AND ACHIEVEMENTS

While 2020 was characterised by new challenges and obstacles, Northport still delivered several significant highlights:

BIOMASS LOGISTICS HUB

In FY2020, the Biomass Logistics Hub in Southpoint recorded a total volume of 274,149 tonnes, which represents a 72% increase from FY2019 (159,598 tonnes). A total area of 300,200 sqft, comprising both open yards and covered warehouses, is currently tenanted by biomass industry players.

PORT RECEPTION FACILITY ("PRF")

Northport's PRF commenced operations in February 2020. This facility provides a complete solution for all types of waste, including ship sludge, supplemented by a wide range of value-added services. During the financial year under review, the PRF facility handled 223.5 tonnes of waste generated in Northport and from vessels calling Northport.

ROLL-ON ROLL-OFF ("RORO") BUSINESS

In FY2020, on the back of strong demand for reconditioned motor vehicles from Japan, Northport handled on average 5,500 units of reconditioned vehicles per month (excluding the MCO period). Total volume for FY2020 was 54,404 units. It is expected that more RORO operators will be calling Northport, especially once the transshipment activities of motor vehicles recovers.

AWARDS, ACCOLADES AND CERTIFICATION

On 28 February 2020, Northport won the National Occupational Safety and Health ("NCOSH") Award 2019 in the Business Services category. Northport also retained its ISO 45001 accreditation following the re-certification audit conducted in 2020. This reaffirms the port's status as an industry leader in health, safety and environment ("HSE") aspects of operations. In FY2020, Northport recorded its best HSE performance ever with zero fatalities and Lost Time Injury Frequency ("LTIF") of 0.61.

On 25 December 2020, Northport, together with PKA and Westports Malaysia Sdn Bhd, received the APSN Green Port Award System ("GPAS") 2020 for joint collective efforts to uphold environmental sustainability.

On 23 December 2020, Northport became the first port in Malaysia to be accredited with the ISO 37001:2016 Anti-Bribery Management System ("ABMS") certification. The certification is a testament of Northport's continued commitment towards the highest level of integrity and ethical culture in our day-to-day business operations.

LAND USE OPTIMISATION

As mentioned earlier, land use optimisation is one of Northport's key strategic thrusts under its three-pronged plan. In FY2020, Northport focused on developing three NDSB2 warehouses with a cumulative floor space of 349,771 sqft. These warehouses are fitted with environmentally friendly features such as LED lighting and solar power and will be completed and ready for operations by May 2021.

In expanding existing space for covered storage, in 2017 Northport signed a long-term lease with Axis REIT Managers Berhad for two warehouses. The warehouses provide an additional 340,000 sqft of covered storage space to augment Northport's existing 1.9 million sqft of warehouse space. Northport's application to the Ministry of Finance for Free Commercial Zone status for both warehouses was approved in FY2019.

During FY2020, new tenancies and lease agreements for previously untenanted/unutilised land measuring a total of 92.3 acres in Northport and Southpoint were signed with 33 parties. These leases/tenancies will begin to contribute cargo volume from FY2021 and FY2022 onwards once the requisite facilities have been built.

ASSET CONSOLIDATION AND UPGRADING

In FY2020, in line with Northport's efforts to reduce overheads while maximising productivity, four under-performing quay cranes, 15 prime movers and 15 trailers were disposed of. Two grab units were acquired for conventional cargo operations. Three high stackers are also in the midst of being replaced with six new reach stackers which will be added to Northport's fleet by April 2021.

The consolidation and upgrading of these essential assets will further improve operational productivity at Northport.

STRATEGIC COLLABORATIONS AND STAKEHOLDER RELATIONS

In FY2020, Northport extended its existing Strategic Collaboration Agreement ("SCA") with POIC Sabah Sdn Bhd with a focus on introducing a direct RORO service into Lahad Datu. Another area of collaboration is on manpower training.

Northport also signed an SCA with NL Cold Chain Network and Bayam Enterprise (M) Sdn Bhd. This agreement is aimed at establishing an integrated Halal value chain between Port Klang and Japan through an end-to-end logistics network.

OPERATIONS REVIEW

Work is underway to establish a common systems and technology platform within the Group that includes the Enterprise Resource Planning (“ERP”) and Terminal Operating System (“TOS”). Upon completion, this integrated platform will further maximise synergies and allow all ports, including Northport, to share expertise and benefit from economies of scale.

The first phase of ERP implementation is targeted to start in May 2022, and the second phase in December 2022.

Apart from the aforementioned ERP initiative, in FY2020, Northport introduced a dashboard performance application to monitor its container operational performance. The existing CONTRAK2 and mobile application system were also continuously improved.

OUTLOOK AND PROSPECTS

FY2021 is expected to see a gradual recovery in economic growth. The momentum of business and trade activities may remain slower than initially expected, due to the continued impact of the COVID-19 pandemic across the world. However, the expected rollout of vaccines globally, which has already commenced, should provide a much needed upswing in sentiment and momentum in the second half of FY2021.

Looking at the maritime sector and ports specifically, as the global economy improves, Northport is optimistic of shipping lines increasing their vessel capacity to Port Klang as a transshipment hub, particularly for the Indian sub-continent, the US, and Trans-Pacific trade. Commercially, Northport's focus will be on the intra-Asia and Indian sub-continent market. The US-China trade war presents an opportunity to increase the port's exposure to South-East Asia, as Malaysia positions itself as the country of choice for manufacturing Foreign Direct Investment and RDCs.

Irrespective of the COVID-19 trajectory in FY2021, Northport will continue to persist with its cost-saving measures to reduce operational expenditure. Ongoing strategies such as asset and manpower rationalisation will also be continued.

Going forward, Northport's strategic priorities are as follows:

- Northport will continue to focus on Intra-Asia and Indian Sub-Continent market
- FY2021 shall see the completion of the NDSB2 warehouses, equipped with modern features such as LED lightings and solar panel power, cementing Northport's position as a green port

- Northport will identify available land to build facilities on that will contribute towards Northport's value chain and enable growth in throughput handling for RDCs
- Northport will also centralise its container operations within one terminal and make space for conventional business to grow in the other terminal. This will further improve cargo handling productivity and create space for the construction of new facilities

PENANG PORT SDN BHD

OPERATING ENVIRONMENT

Penang Port Sdn Bhd (“Penang Port”) continued to feel the effects of the prolonged US-China trade war as well as the impact of COVID-19 in FY2020. The former had a domino effect on exports from Penang to China, while the latter had impacted the cruise tourism segment which up to January 2020, was on a significant uptrend.

In response to COVID-19, the Malaysian Government temporarily stopped cruise ships from docking at the country's ports, with the Swettenham Pier Cruise Terminal (“SPCT”) seeing 78% less passengers, year-on-year.

The trade war between China and US, coupled with measures to curb the spread of the pandemic, reduced overall cargo handling throughput by 11% and container throughput by 7%. Cargo tonnage dropped by 5% in dry bulk, 13% in liquid bulk and 20% in break bulk.

Penang Port also experienced a unique challenge brought on by the severe shortage of 40’/40 High Cube (“HC”) containers. The shortage was due to the high Chinese demand for long-haul shipments. As a result, the South Thailand market was unable to secure sufficient HC containers and this impacted trading opportunities.

Consequently, exporters in southern Thailand could not capitalise on the strong demand for rubber, rubber wood and sawn timber due to the acute shortage of containers to ship the goods to intra-Asia markets.

However, FY2020 also offered opportunities. The pandemic had led to many ports experiencing congestion. The bad weather due to the monsoon season had also worsened the situation. Cumulatively, vessels had to wait two to three days prior to berthing. Many ports reached yard capacity utilisation of 95% which is regarded as congested. Penang Port capitalised on this situation and promoted its vacant space for laying up vessels as well as for containers.

OPERATIONS REVIEW

On a separate note, Penang Port actively pursued local and international business partnerships to facilitate new business opportunities and its efforts were successful in FY2020. Given decreasing cargo volumes and lack of cruise operations, cost and operational efficiencies efforts were intensified in FY2020, consistent with the efforts undertaken at all MMC ports. Specifically, Penang Port looked to improve vessel and haulier turnaround times and waterfront efficiency while reducing block utilisations at its yard.

In line with MMC's ports Take Cost Out, Get Revenue In initiative, Penang Port's containerised Cargo department reduced costs by mothballing unused equipment and optimising existing equipment in each shift. In particular, four RTG units and two quayside container crane units were mothballed. RTGs and rail-mounted gantry cranes were also periodically shutdown during non-peak hours, which resulted in reduced energy consumption. All in all, this contributed to savings in fuel, reduced overtime costs and lower maintenance and repair costs.

As a result of its efforts, Penang Port improved terminal productivity to reach 26 GMPH (FY2019: 25 GMPH) and reduced average haulier turnaround time to 23 minutes (FY2019: 24 minutes). On the whole, Penang Port increased its capabilities to handle higher throughput volumes.

The key highlight was a significant 14% reduction in operating expenditure to RM297 million (FY2019: RM346 million). This has yielded a 17% improvement in after-tax earnings despite reduced revenues for FY2020.

Separately, tapping on operational synergy, Penang Port leveraged on the experience of Aliran Ihsan Resources Berhad ("AIR Berhad") to address non-revenue water ("NRW") loss. The implementation of the port NRW project reduced NRW levels from 90.19% to 35%. This has resulted in savings of approximately RM1 million annually.

While cost savings were a priority in the wake of subdued operating conditions, the port continued upgrading and expanding port infrastructure towards ensuring that future operational capacity and readiness will not be compromised.

With an eye to more efficient cargo handling and a greener footprint, Penang Port extended its use of hybrid RTG cranes, which are semi-battery powered and thus consume significantly less fuel than conventional RTG cranes. In FY2020, four more hybrid RTG cranes were added, bringing the total number to seven. Also added was another Mobile Harbour Crane to speed up vessel turnaround time, bringing the total installed to four.

BUSINESS AND OPERATIONAL PERFORMANCE

Penang Port's FY2020 revenue was RM396 million – a 13% decrease year-on-year (FY2019: RM454 million). Penang Port's PBT stood at RM63 million, a 12% drop year-on-year, compared to RM72 million in FY2019. PAT stood at RM48 million against RM42 million the year before – a 14% increase.

Vessel calls were significantly lower in FY2020 with a total of 3,552 calls (FY2019: 5,783 calls). The most impacted segment remained the cruise segment, which saw significant decline to just 729 calls (FY2019: 2,284 calls) due to travel restrictions.

Annual international cruise passenger volumes plummeted to 85,778 (FY2019: 449,885) while daily cruise passenger volumes also were lower at 126,849 (FY2019: 550,822). Regional ferry numbers fared slightly better at 41,797 (FY2019: 164,262).

HIGHLIGHTS AND DEVELOPMENTS

Swettenham Pier Cruise Terminal ("SPCT")

Penang Port's redevelopment plan for the SPCT received regulatory approval and works commenced in June 2020. The development is scheduled for completion in May 2021. The SPCT development comprises several phases, with the pier's expansion as Phase 1. Phase 2 (a) focusses on improving the concourse area and Phase 2 (b) on refurbishing the existing terminal to cater for 12,000 passengers at one time. The concession rights are expected to be awarded to Penang Port by the first half of FY2021.

North Butterworth Container Terminal ("NBCT")

A major operational highlight with regards to the NBCT was the ahead of scheduled completion of upgrading works at NBCT T1 in August 2020. The upgrade expands NBCT's handling capacity from 2.1 million TEUs to 2.4 million TEUs and makes berth operations much more flexible.

Work at Prai Wharf continued as planned with the development of a liquid storage facility for petroleum products. The project is expected to be completed in FY2022.

Given the COVID-19 pandemic situation, throughput volume and ship calls were estimated to be on the decline. With that, the decision was made to postpone the delivery of two quay (Post Panamax) cranes to FY2023.

Other Notable Developments

As mentioned earlier, by consistently using an average of 10 prime movers and two RTG cranes during every shift, Penang Port improved train turnaround time from 1.6 hours in FY2019 to 1.4 hours in FY2020.

OPERATIONS REVIEW

In October 2020, Penang Port signed a Letter of Intent with Myanmar Offshore Supply Base ("MOSB") to handle and store cargo, parts and supplies for offshore drilling activities in Myanmar. As MOSB is currently under construction, Penang Port will be the temporary supply base for operations.

The lease of space generates additional revenues for Penang Port and enables optimisation of vacant space.

In September 2020, XSD Paper International unloaded 2,499 FWT of machineries at Penang Port's Butterworth Wharves Cargo Terminal ("BWCT") in break bulk. XSD intends to process paper products and coated duplex boards at Padang Meha, Kulim. 80% of the production will be exported to China (mainly Ningbo and Shanghai), with the balance 20% to be supplied to South East Asia and Malaysia.

On a separate note, the port underwent ISO 45001:2018 certification Stage 1 in February 2020 and Stage 2 in November 2020. The ISO 45001:2018 system enables the establishment, implementation and maintenance of an occupational safety and health ("OSH") management system to improve OSH and minimise risks (including system deficiencies), eliminate hazards, take advantage of OSH opportunities and address OSH management system nonconformities. Certification is expected to be received by the first quarter of FY2021.

Penang Port's ISO 9001:2018 quality management certification remains valid for FY2020, with the re-certification process to commence in FY2021.

OUTLOOK AND PROSPECTS

The global shortage of containers is increasingly becoming an issue for the logistics industry. Many containers are stranded at European/US ports and terminals in the wake of the trade imbalance between China and Europe/US.

Transporting empty containers to China cheaply and efficiently should address this shortage. In the meantime, the dearth of containers is pushing up costs, making it increasingly expensive to lease and reposition empty containers. It is unlikely that this situation will improve in FY2021.

COVID-19 is expected to remain at issue, but less so in FY2021 as measures such as vaccines enable a more effective strategy in addressing the pandemic. With this, maritime trade is expected to recover and maintain its uptrend.

Local Hinterland and South Thailand volumes are forecasted to grow at 9% and 3% respectively in FY2021, while new business and transshipment from the Bay of Bengal is set to expand the revenue base.

In response to challenging but improving operating environment, Penang Port will pursue its defined set of strategies. These include continuing to position the port as a 'hub port' to attract cargo volumes from the Bay of Bengal. Focus will be on emphasising the port's regional feeder connectivity as well as intra-Asian connectivity. Increasing ad-hoc calls will raise container and cargo handling throughput.

Additionally, there will be increased emphasis on targeting ULCV and in providing multinational corporations with RDC set-ups. Potential new customers include XSD International Paper, Jinjing and Tiong Huat Rubber.

Existing infrastructure projects as mentioned earlier, will continue to be pursued while another batch of replacement RTGs is in the pipeline.

In optimising its fullest value creation potential, Penang Port will also look to develop underutilised assets such as land. As in previous years, cost rationalisation and operational efficiency will remain priorities under the Take Cost Out, Get Revenue In initiative.

Our initiatives to improve operational efficiency and increase revenue in FY2021 entail weighbridge operations from an outsourced service provider. Penang Port is also sourcing six new computerised and systemised weighbridges for the Prai Bulk Cargo Terminal ("PBCT") and Butterworth Wharves Cargo Terminal. Penang Port will implement MMC's Re-engineering and Value Engineering Initiative to improve the energy efficiency of mast/tower/flood lighting at NBCT.

TANJUNG BRUAS PORT SDN BHD

OPERATING ENVIRONMENT

The first half of FY2020 saw a drop in cargo volumes at Tanjung Bruas Port Sdn Bhd ("Tanjung Bruas Port"). Conventional cargo and container cargo volumes at Tanjung Bruas Port were 363,151 FWT and 5,026 TEUs respectively for the first six months of the financial year.

The second half of FY2020 fared better as conventional cargo recorded 455,995 FWT, (FY2019: 540,394 FWT) and container cargo volumes rose 9% to 9,116 TEUs (FY2019: 8,341 TEUs).

OPERATIONS REVIEW

Total cargo volumes for the year stood at 819,146 FWT (FY2019: 986,010 FWT) and 14,142 TEUs (FY2019: 11,731 TEUs), 17% lower and 21% higher year-on-year respectively. Break bulk cargo stood at 394,164 (FY2019: 518,070). As at 31 December 2020, Tanjung Bruas Port registered 1,051 port calls (FY2019: 968 calls).

Since commencing container operations in April 2019, Tanjung Bruas Port envisions functioning as a transshipment port to MMC's Northport, located at Port Klang. FY2020 saw Tanjung Bruas Port actively engaging feeder operators to supply geared barges to expand the port's transshipment capabilities. These included established operators such as PACC, Multicargo Express, QEL and Gui Shipping. Efforts were also undertaken to expand yard capacity.

Tanjung Bruas Port continued to face space constraints, which impacted the port's capabilities to meet throughput demand in the short-medium term. Through strategic alliances formed with third parties, Tanjung Bruas Port was able to increase port capacity, secure new cargo and mitigate space constraint issues.

On 7 July 2020, Tanjung Bruas Port's Revised Masterplan received Government's approval, paving the way for a wide range of improvement works to proceed in FY2021. These include an extension of the wharf deck by 50 metres into a linear berth and the reclaiming of 30 acres of seabed for the construction of an open yard and warehouse. These capacity expansions will enhance Tanjung Bruas Port's terminal as a whole going forward.

Tanjung Bruas Port also continued to leverage on its strategic location at the centre of international shipping lanes, to position itself as a cargo distribution hub for Melaka, while offering other business services such as ship-to-ship operations, bunkering, fresh water, ship supplies and in-port crew changes.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

In FY2020, Tanjung Bruas Port's total revenue stood at RM21 million, 9% lower year-on-year (FY2019: RM23 million). Despite topline performance declining, PBT improved by 22% to RM6 million (FY2019: RM5 million).

Earnings were also improved on the back of reduced costs. This is due to reduced contract labour and rental costs as well as lower outsourced services. The latter was due to a reduction in steel coil and container volumes which translated into significantly lower stevedore costs. Tanjung Bruas Port arranged for a lower

steel coil handling rate, with savings of RM0.20/MT from June 2020 onwards. The port also successfully re-negotiated lower rates of RM30 to RM28 per TEU. Overall, stevedore and Quay Transfer Services ("QTS") dropped by 52% and 16% respectively year-on-year.

These initiatives in combination with a few others reduced the operating costs of container operations and improved gross profit margin from July 2020 by approximately 3.5% to 30%.

OUTLOOK AND PROSPECTS

Tanjung Bruas Port is evolving into a vibrant and multipurpose port that is driven by increased port capacity and new cargo contracts made possible through strategic alliances with third parties.

While FY2021 is expected to remain challenging as the effects of the COVID-19 pandemic continues to dampen economic recovery, Tanjung Bruas Port expects domestic demand for imports – as well as exports to China, Japan and Korea – to serve as growth catalysts for its operations.

The Melaka Government is developing a new RM100 billion economic corridor – the Melaka Waterfront Economic Zone ("M-Wez") – to attract high-impact investment.

M-Wez encompasses 20 kilometres of reclaimed coastal land, including Tanjung Bruas Port (as its container hub), Kuala Linggi International Port (as the oil and gas industry service hub), and Melaka Gateway (as the international cruise terminal). This initiative will benefit the maritime sectors across the entire value chain.

Tanjung Bruas Port will continue to deliver first-rate service to existing customers and explore new business opportunities from/to Melaka industrial players for both conventional and containerised cargo in FY2021.

Through our hub port strategy, Tanjung Bruas Port will continue to pursue operating as a feeder port to Northport and Westport in Port Klang and vice versa. In preparation, Tanjung Bruas Port continues to ensure that basic infrastructure is in place. The port will require an additional container stacking area, empty container depot, supporting equipment and the necessary Information and Communications Technology ("ICT") infrastructure to further establish its positioning as a multipurpose port.

OPERATIONS REVIEW

Hence, the importance of developing the new jetty port to optimise the positioning of port cranes and other supporting equipment. Once completed, Tanjung Bruas Port's capacity will increase significantly – up to 5.0 million tonnes yearly for conventional cargo and up to 250,000 TEUs of container handling. This increased capacity will significantly increase Tanjung Bruas Port's ability to act as a distribution hub and industrial gateway for Melaka and neighbouring states.

Tanjung Bruas Port is exploring collaboration opportunities with Kumpulan Melaka Berhad, as well as other third parties, to use their facilities outside the port boundary to cater for expected additional throughput in FY2021.

Priorities for FY2021 will be to further standardise services and operations, improve customer service, grow revenue and EBITDA, and ensure a stronger cash flow and lower gearing. Tanjung Bruas Port will focus on operational efficiency and Take Cost Out initiatives. These strategic priorities will be pursued in line with the Port Expansion Plan 2021–2026 to achieve the targeted throughput and revenue for FY2021.

KONTENA NASIONAL BERHAD

OPERATING ENVIRONMENT AND STRATEGIC RESPONSE

Kontena Nasional Berhad ("Kontena Nasional") faced various challenges in FY2020. Among these, a large number of Kontena Nasional's customers came under the 'non-essential goods and services' category and as such, had to suspend operations for the duration of the MCO. Consequently, TEUs dropped by 9% in FY2020, leading to a 30% decrease in the company's revenue year-on-year.

However, Kontena Nasional responded with resilience and agility to the prevailing scenario. With many of Kontena Nasional's customers being unable to operate, the company readjusted its customer acquisition strategies to focus on businesses deemed as essential services. This included eCommerce fulfilment providers, pharmaceutical, FMCG, retail firms and others.

Beyond customer acquisition, Kontena Nasional looked to realise further gains in operational and cost efficiencies. This included shutting haulage operations in Johor and scaling down operations in Port Klang.

Kontena Nasional significantly harnessed Group synergy in FY2020 by sharing marketing efforts and co-branding with Northport which helped expand the customer base. Kontena Nasional also

developed group synergies with MMC Engineering, Tradewinds (Bernas and CSR), Northport and KTMB-MMC.

Essentially, the challenging operating environment was approached as an opportunity to refine the business model and to develop its resilience in the wake of the COVID-19 pandemic.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

In FY2020, Kontena Nasional posted revenue of RM111 million (FY2019: RM166 million), while LBT and LAT stood at RM11 million (PBT FY2019: RM48 million) and RM13 million (PAT FY2019: RM47 million) respectively. Inclusive in PBT FY2019 was dividends income of RM48 million received by Kontena Nasional from Kontena Nasional Global Logistics.

Total cargo volume decreased 9.0% year-on-year from 69,500 TEUs in 2019 to 63,200 TEUs in 2020.

HIGHLIGHTS AND ACHIEVEMENTS

In FY2020, Kontena Nasional's haulage operations achieved greater reliability and efficiency, with reduced downtime and faster turnarounds. Fleet availability was also improved. Furthermore, Kontena Nasional ensured occupancy rates were at 80% and 72% at their warehouse and yard respectively. These results were secured by their efforts to improve handling standards and value-added activities.

Freight Forwarding

Despite the challenges in FY2020, Kontena Nasional secured contract extensions ranging between one and three years from customers across various sectors and industries, namely oil and gas, chemical, automotive and manufacturing and telecommunication among others.

During FY2020, Kontena Nasional made strides towards Third Party Logistics ("3PL") in its freight forwarding operations. Another highlight was their continued diversification into specialised and niche markets such as high security and sensitive cargo.

OUTLOOK AND PROSPECTS

The demand for third-party warehouses is expected to remain positive in FY2021, despite the uncertainty that COVID-19 has brought to the global market. The proliferation of e-commerce and the increasing transition of cold chain distributors to online sales are creating greater demand for warehousing and cold chain facilities.

OPERATIONS REVIEW

There is also more demand for last-mile delivery, owing to shifts in consumer online spending. People want their e-commerce orders delivered as fast as possible, which drives a need for more inventory storage and distribution centres that are closer to consumers. In response, manufacturers and retailers are consolidating or relocating to less expensive facilities with lower rents, thereby creating opportunities for cost savings via supply chain solutions.

The initial COVID-19 outbreak prompted Kontena Nasional to place rail infrastructure and oil and gas drilling projects on hold. Now that the pandemic's impacts are better understood, the company is reassessing these projects with a view to implementing them while looking to scale down the deployment to further rationalise costs.

Capacity, both air and sea, will most likely remain a challenge. Shippers are however projecting better yields due to the imposition of surcharges.

Transitioning into a 3PL Service Provider

In FY2020, Kontena Nasional had operated as a Second Party Logistics ("2PL") company, in a market defined mostly by rates and price. To remain relevant in a fast-changing world and take full advantage of our considerable and strategically located assets, Kontena Nasional is looking to evolve from a 2PL company into a 3PL service provider with Fourth Party Logistics ("4PL") capabilities. Kontena Nasional is effectively developing its capacity to manage customers' entire supply chains. The company will be looking to scale up the value chain to offer services that provide higher margins and fulfil customer needs more comprehensively.

Realising the 3PL transition will require intensive recruitment and development of specialists in all aspects of shipping logistics. These specialists will be tasked with identifying business opportunities quickly and marketing targeted solutions to potential customers.

These logistics experts will operate through a centrally hosted, integrated IT suite of supply chain technology that enables them to manage complex domestic and global supply chains.



Energy and Utilities

Powering the Nation, Illuminating a Brighter Future

Through Malakoff, Alam Flora, Gas Malaysia and AIR Berhad, MMC's Energy and Utilities Division continues to meet the nation's basic utility needs, while embracing the opportunities of a liberalised market environment. We continue to drive socio-economic progress and deliver a more sustainable future that offers brighter prospects.



OPERATIONS REVIEW

MALAKOFF CORPORATION BERHAD

OPERATING ENVIRONMENT AND STRATEGIC RESPONSE

With power and waste collection services being essential services, Malakoff Corporation Berhad ("Malakoff") experienced limited disruption from the COVID-19 pandemic in FY2020. Nevertheless, electricity demand had reduced significantly due to lower industrial and commercial activities on the back of the initial MCO.

The reduction in industrial energy demand was partially offset by increased domestic consumption attributed to the various lockdowns that had restricted the populace in their homes. Electricity demand averaged at 1.80% in terms of annual growth and an additional 9,321MW was required in terms of new capacity to meet this demand growth.

Progressively, as business operations and employees adjusted to the requirements of new SOPs such as staggered working hours and rotational shifts and social distancing, consumption improved in the second half of the financial year.

With the exception of Tanjung Bin Energy Power Plant ("TBE"), in FY2020, all conventional power plants met or exceeded their Equivalent Availability Factor as per their purchasing power agreements ("PPA"). However, capacity factor and effective energy generation capacity were lower in FY2020 (kindly refer to the Financial Results and Statistics subsection for detailed information).

FY2020 saw the full year recognition of Alam Flora Sdn Bhd's ("Alam Flora") contribution to Malakoff's revenue and earnings. Alam Flora's financial performance partially offset the reduced contribution from Malakoff's energy generation segment.

Alam Flora saw an increase in demand for its services in FY2020, especially for its sanitisation and disinfection services in three concession areas – around Kuala Lumpur, Putrajaya and Pahang with the heightened concern in preventing the spread of COVID-19.

Business development remained a priority with Malakoff pursuing conventional power plant and water potentials in Malaysia, South East Asia and the Middle East. The company was also successful in expanding its operations and maintenance activities and its renewable energy ("RE") footprint in FY2020. Malakoff had tendered for biogas projects with the Sustainable Energy Development Authority of Malaysia ("SEDA") and rooftop solar projects with various Commercial and Industrial ("C&I") players.

Employees remained a priority in FY2020 with Malakoff focusing on developing the technical and management skills of its people. Utilising digital platforms, training was made available to the 3,981

strong workforce even within a work-from-home setting, which had become the new normal during the pandemic year. Malakoff is pleased to report that it has retained 100% employment during the pandemic year and has provided ample training opportunities for its employees.

Business synergies with other MMC business divisions and operating companies were also leveraged upon in FY2020. As at 31 December 2020, Malakoff's effective power generation capacity was retained at 6,410MW, effective water production capacity stood at 472,975 m³/day and the total solid waste management volume was at 4,145 tonnes/day.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

Revenue

In FY2020, Malakoff's revenue declined by 15% year-on-year to RM6.27 billion (FY2019: RM7.42 billion), as a result of lower energy payments from Tanjung Bin Power Sdn Bhd ("TBP") and Tanjung Bin Energy Sdn Bhd ("TBE") coal plants on the back of a reduction in the Applicable Coal Price ("ACP").

Revenue was also impacted by lower energy payments from Segari Energy Ventures Sdn Bhd ("SEV") gas plant which was impacted by a decrease in the dispatch factor.

However, these were partially cushioned by Alam Flora's full year revenue contribution, the newly acquired subsidiary.

Earnings

Profit After Tax and Minority Interest was 11% lower at RM287 million (FY2019: RM323 million) due to the absence of one-off gains from the disposal of Macarthur Windfarm and the re-measurement of investment upon acquisition of an additional 12% equity interest in Shuaibah Phase 3 IWPP.

These were partially offset by the absence of the effects of net impairment loss on the carrying value of Malakoff's investment in its 40% owned associate Kapar Energy Ventures Sdn Bhd ("KEV") in December 2019.

It was also moderated by higher contributions from associates and joint ventures primarily due to the absence of KEV's share of losses and better earnings from Shuaibah.

Additionally, Malakoff had registered a full-year contribution from the newly acquired subsidiary, Alam Flora.

OPERATIONS REVIEW

Other Key Statistics

| Plant | % Stake | Generating Capacity (MW) | Effective Capacity (MW) ⁱ |
|--------------------------|---------|--------------------------|--------------------------------------|
| TBP | 90.0% | 2,100 | 1,890 |
| TBE | 100% | 1,000 | 1,000 |
| SEV | 93.8% | 1,303 | 1,222 |
| GB3 Power Plant ("GB3") | 75% | 640 | 480 |
| KEV | 40.0% | 2,200 | 880 |
| Prai Power Plant ("PPP") | 100% | 350 | 350 |
| Total | | 7,593 | 5,822 |

Capacity Factor

| Capacity Factor | FY2020 | FY2019 | Variance |
|-----------------|--------|--------|----------|
| SEV | 8% | 36% | -28% |
| GB3 | 10% | 32% | -22% |
| PPP | 20% | 63% | -43% |
| TBP | 86% | 80% | +6% |
| TBE | 81% | 68% | +13% |
| KEV | 57% | 45% | +12% |

Capacity Factor for Malakoff's gas-fired plants was lower on the back of reduced grid demand attributed to the COVID-19 pandemic period, where the MCO lockdown had impacted energy consumption demand from a wide range of industries.

Equivalent Availability Factor ("EAF")

| EAF | FY2020 | FY2019 | Variance |
|-----|--------|--------|----------|
| SEV | 95% | 84% | +11% |
| GB3 | 92% | 88% | +4% |
| PPP | 61% | 92% | -31% |
| TBP | 92% | 82% | +10% |
| TBE | 90% | 72% | +18% |
| KEV | 94% | 74% | +20% |

PPP's EAF in FY2020 was lower due to Hot Gas Path Inspection ("HGPI") on the gas turbine and major inspection for Steam Turbine conducted in first quarter 2020. Both inspections caused a significant downtime for the plant and hence impacted EAF.

Project/Divisional Updates and Developments – Malakoff

In FY2020, Malakoff was successful in growing its RE footprint. The company successfully secured Solar Power Purchase Agreement ("SPPA") for three rooftop solar projects at Johor Port (2.66MWp capacity), Northport (4.93MWp capacity) and PMB Properties Sdn Bhd (2.34MWp capacity). Malakoff also secured the Ulu Sebol biogas project with 2.40MW capacity.

Though the RE footprint remains small at present, it marks a gradual increase and the experience gained holds Malakoff in good stead towards securing more projects, both locally and abroad.

Project/Divisional Updates and Developments – Alam Flora

Malakoff acquired Alam Flora to introduce market-leading new environmental technology and institutional knowledge into the MMC Group. Alam Flora Environmental Solutions ("AFES"), a wholly-owned subsidiary of Alam Flora, paves the way for MMC to secure a foothold in the high growth waste management and environmental services segment.

Beyond its regular waste collection services, Alam Flora was an active participant in combatting the COVID-19 pandemic throughout FY2020. Alam Flora had disinfected 19 premises across its three concession areas.

A key highlight was the establishment of a Port Reception Facility ("PRF") at Northport. The PRF enables the management of scheduled and non-scheduled waste in compliance with the International Convention for the Prevention of Pollution from Ships ("MARPOL") standard.

Fully operational in February 2020, this makes Northport the first port in Malaysia to house a PRF within its terminal. For now, there are only 41 ports in the world that provide such a facility.

AFES also continued to explore opportunities in Treatment and Storage, Disposal Facilities ("TSDF") across the country.

OUTLOOK AND PROSPECTS

While global demand for energy declined by 6% in the wake of COVID-19, as the pandemic abates, economic activity is likely to pick up, leading to increasing commercial and industrial demand for power. In particular, the Asia Pacific and Middle East have been identified as key markets that will require additional energy generation capacity to fuel industrial and socio-economic growth.

¹ Effective Capacity refers to the effective capacity owned by MCB based on the percentage stake.

OPERATIONS REVIEW

RE is expected to carry greater promise than conventional power plants going forward, attributed to growing emphasis from both industry and government stakeholders. US President, Joe Biden has announced climate change being a key policy matter unlike in the previous administration. This provides further impetus for RE globally.

In Malaysia, the energy outlook remains promising for RE. Budget 2021 and the Net Energy Metering 3.0 ("NEM 3.0") announcement by the Energy and Natural Resources Ministry aims to encourage companies and industries transitioning into renewables. Subsequently, this will lead to increased demand which RE players such as Malakoff can benefit from.

Three key trends that will transform the energy industry are decarbonisation, decentralisation and digitalisation. RE growth is fuelled by lower operating costs and the impact of climate change. Consumers will be able to manage their own energy portfolio, while analytics will be used to manage demand and supply.

With growing water consumption demand, the Middle East is also expected to see its desalination market expanding to USD4.3 billion per annum by FY2022.

Malakoff continues to face the challenge of expiring PPAs with limited opportunities to expand overseas and no new local projects at present. In operational terms, assets are ageing, and the operating landscape is shifting away from fossil fuels due to climate change pressures. In practical terms, our coal-fired power plants are increasingly expensive to insure and their tax rates are high. These will inevitably be upgraded with newer technology or replaced over time.

In response to RE opportunities, Malakoff will accelerate its efforts to transit its energy generation mix towards RE sources. Over the next 10 years, RE's share of the local energy market is expected to rise from 9% to 23%, with thermal energy's share dropping from 82% to 70%.

Malakoff has several more rooftop solar projects in the pipeline. Various RE tenders have been submitted that will support the sustainable growth of the company's RE portfolio.

Malakoff via its subsidiary Alam Flora, is also considered new opportunities in waste management and environmental services. The 12th Malaysia Plan (2020–2025) provides for 14 non-sanitary landfills to be closed and 5 sanitary landfills and 29 transfer stations to be built respectively. It also plans to increase the national recycling rate from 30.7% to 40% by 2025.

Therefore, Malakoff expects considerable growth in the waste management sector, with key focus areas being municipal, hazardous industrial and hazardous medical waste. Over 60% of Malaysia's total waste market is made up of municipal solid waste and hazardous industrial waste, with the hazardous medical waste share growing quickly.

While the municipal waste sector has high barriers to entry, there is also a high demand for integrated facilities and legal recycling, with new eco parks being a distinct possibility.

Malakoff will continue to explore potential greenfield and brownfield opportunities in power and waste management sectors, both in Malaysia and in other high-growth regions, such as South East Asia and the Middle East.

The company remains on track with its long-term Aspirational Target, which is to have conventional power generation capacity of 10,000MW, water desalination capacity of 1,000,000 m³/day, RE portfolio capable of producing 1,000MW and solid waste management capability of 10,000 tonnes per day.

GAS MALAYSIA BERHAD

OPERATING ENVIRONMENT

The advent of the COVID-19 pandemic in FY2020 had impacted the industry and brought about a weaker business sentiment. Despite the unprecedented challenge, Gas Malaysia Berhad ("Gas Malaysia") was able to sustain its business performance. The fact that this was achieved against the backdrop of unprecedented trying conditions that has impacted the business illustrates strong fundamentals and resilience of Gas Malaysia's business model.

With the introduction of the first Movement Control Order ("MCO") in March 2020, business activities of various industries were curtailed and resulted in a reduction in gas demand. However, as the months progressed Gas Malaysia was able to stage a recovery in terms of gas sales from May 2020 onwards in line with the gradual reopening of the economy.

ADAPTING TO THE NATURAL GAS MARKET LIBERALISATION

As a result of the Government's gas market liberalisation initiative under the Third-Party Access ("TPA"), the year 2020 saw the operating environment transitioning into one that is increasingly dynamic. Gas Malaysia is supportive of this initiative as it enables competitiveness in the gas industry. To ensure that it remains competitive, Gas Malaysia has taken necessary steps to realign its strategy to face the new business landscape.

OPERATIONS REVIEW

To comply with the new regulatory requirements under TPA, Gas Malaysia has unbundled its business operations into two separate business entities, namely, the distribution arm (Gas Malaysia Distribution Sdn Bhd) and the shipment arm (Gas Malaysia Energy and Services Sdn Bhd).

The distribution arm will be responsible for the gas distribution business and the shipment arm will focus on the retailing part of the gas business. Both subsidiaries have obtained the necessary operating licences from the Energy Commission.

Strategic Response to Operating Environment

Upon the declaration of COVID-19 as a global pandemic, Gas Malaysia immediately implemented the necessary precautionary measures to manage the risk of exposure to employees and lessen the possibility of virus transmission at workplace. Gas Malaysia conducted swab tests and regularly sanitised its offices throughout Peninsular Malaysia.

In support of the Government's battle against the COVID-19 pandemic, Gas Malaysia announced relief measures for its selected customers in low-cost residential, retail commercial, government hospital and hotel services.

As a responsible corporate entity and as a show of support to the medical frontliners working tirelessly to ensure the safety of all Malaysians, Gas Malaysia contributed digital handheld pulse oximeters to four government hospitals. The beneficiary hospitals were Hospital Raja Permaisuri Bainun and Hospital Teluk Intan both in Perak, Hospital Tengku Ampuan Afzan in Pahang and Hospital Sultanah Aminah in Johor.

BUSINESS AND OPERATIONAL PERFORMANCE

Overview of Financial Results and Statistics

In FY2020, Gas Malaysia posted revenue of RM6.69 billion (FY2019: RM 6.89 billion), while Profit After Zakat and Tax stood at RM213 million (FY2019: RM190 million) respectively.

HIGHLIGHTS AND DEVELOPMENTS

Ensuring safe and reliable gas delivery to local industries, commercial businesses and residences is key to sustaining Gas Malaysia's business performance. During FY2020, the company successfully sustained its gas supply reliability rate of approximately 99%.

In FY2020, the expansion of the Kinta Valley NGDS network allowed Gas Malaysia to identify 48 prospective customers. The Kinta Valley project which commenced in 2018 is one of Gas Malaysia's key pipeline expansion projects. It is now nearing completion with 98% of the planned pipeline constructed.

Gas Malaysia successfully renewed its Gas Supply Agreements ("GSA") with all existing industrial customers.

In terms of growth and business diversification, Gas Malaysia secured new customers via its subsidiary, Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP") for the delivery of compressed natural gas ("CNG") to customers remotely located from the NGDS network.

Gas Malaysia remains committed in adhering to internationally recognised management system standards and in improving operational excellence. During the year, Gas Malaysia maintained the following management system certifications:

- ISO 9001:2015 (Quality Management Systems)
- ISO 14001:2015 (Environmental Management Systems)
- ISO 45001:2018 (Occupational Health & Safety Management Systems)
- ISO/IEC 27001:2013 (Information Security Management Systems)

In 2020, these certifications were also extended to subsidiaries – GMES, GMD, and Gas Malaysia Retail Services Sdn Bhd.

On 30 November 2020, Gas Malaysia received the award for the Highest Return on Equity Over Three Years under the utilities sector at The Edge Billion Ringgit Club Corporate Awards 2020. The Edge Awards celebrates the achievements of Malaysia's best performing companies with a market capitalisation of at least RM1.0 billion.

OUTLOOK AND PROSPECTS

With the rollout of the COVID-19 vaccination programme by the Government to better contain the pandemic, the nation's economy and consumer sentiment are expected to show positive signs toward recovery.

The COVID-19 pandemic has also taught Gas Malaysia to adapt and embrace the new norms of doing business. Supported by a competent and adaptable talent pool, Gas Malaysia will continue to improve operational performance and provide customer-centric solutions.

Gas Malaysia will continue to reinforce efforts to advocate the use of natural gas, as it is poised to continue being an important fuel compared with other competitive alternatives in the years ahead. In the coming years, the demand for gas is expected to increase as a result of market liberalisation. This encouraging outlook augurs well for Gas Malaysia. With a long and commendable track record in the gas industry, Gas Malaysia will continue to focus on strengthening its business presence in the gas industry value chain and foster sustainable growth.

OPERATIONS REVIEW

ALIRAN IHSAN RESOURCES BERHAD

OPERATING ENVIRONMENT

Aliran Ihsan Resources Berhad ("AIR Berhad") is a water and wastewater treatment specialist company, focusing on municipal water works, industrial wastewater and recycling solutions, as well as non-revenue water ("NRW") management. NRW includes pipe and water meter rehabilitation works, replacement programmes, and leak detection and resolution.

COVID-19 had limited impact on the industrial water sector, and in fact, had led to additional inquiries from the rubber manufacturing sector. However, water infrastructure projects were mostly deferred in FY2020 and the several lockdowns led to an overall reduction in water demand, driven by lower consumption from the industrial and commercial sectors. This was offset partially by increased domestic consumption in FY2020.

COVID-19 aside, the traditional challenges impacting the growth of the water industry continued to impact the performance of water operators. This includes delays in implementing the national NRW plan, stagnant water tariffs, increasing competition (that continues to lead to price wars and erosion of margins) as well as continued dwindling water supply in upstream rivers. The latter is exacerbated by climate change, changing rainfall and weather patterns as well as upstream water pollution.

Notably, the continued deferment of an upward revision in water tariffs prevents AIR Berhad from undertaking much needed operation and maintenance ("O&M") activities. The requirement for water class licensing had also impacted O&M.

On a positive note, given the low water reserve margins in most states in Malaysia of approximately 11% (far below the recommended 20%), Malaysian Government continues to express interest in tapping reclaimed water or greywater for industrial and commercial use. However, with the onset of the pandemic and the resulting slowdown in business activity, most industrial customers have chosen to defer plans to tap into greywater until FY2021 when the economy is expected to begin to recover.

Amidst this challenging macro-operating environment, AIR Berhad has continued to operate and register various business and operational highlights and achievements.

Strategic Response to Operating Environment

In response to the pandemic, AIR Berhad developed new SOPs that include prevention measures and response plans in case of infection. The company implemented quarantine protocols in the event of infected personnel, revised working hours and shifts, and issued Hazmat suits for employees.

AIR Berhad also focused on upskilling employees to reduce reliance on outsourced skills, while implementing new technologies to increase water yield, reduce costs and increase efficiency. The operating company also worked closely with key clients from the healthcare industry as well as related manufacturers. These included glove manufacturers, to ensure that their water requirements were met during the height of the pandemic. Business development activities were continued, driven by constant engagement with the industrial water sector and potential NRW customers, both inside the MMC Group and externally.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Performance and Highlights Developments

In FY2020, AIR Berhad recorded revenues of RM24 million (FY2019: RM 27 million) and a PBT performance of RM4 million (FY2019: RM4 million). PAT for FY2020 stood at RM3 million (FY2019: RM3 million).

The company had abstracted and treated 1,345,205m³ of municipal water and 55,044,249m³ of recycled water. At Johor Port, where AIR Berhad is presently managing a NRW project, the company's efforts have achieved NRW savings from 54% (actual) to 12% (current). This translates into a financial savings of RM107,673 per month.

The operating company received several major contracts in 2020 as follows. QSR Berhad (Ayamas Bandar Tenggara) awarded AIR Berhad the build-operate-transfer ("BOT") contract to supply reclaimed water for 13 years at a production capacity of 500m³/day, while Malaysian Airport Holdings Berhad has given a Letter of Intent to AIR Berhad for a 10-year BOT contract for water reclamation and associated works.

At Ansell Melaka, AIR Berhad secured two contracts to construct a 180m³/hr equalisation pond (RM0.2 million) and a new 60m³/hr dissolved air flotation system (RM0.3 million).

Berhad was also contracted to upgrade the existing water recycling process and treatment facilities at Top Glove Phase 1 and won the BOT contract for water recycling and treatment facilities at Top Glove Phase 2. In addition, AIR Berhad was also awarded the 10-year BOT contract at Careplus (M) Sdn Bhd for water recycling and treatment facilities.

Northport awarded AIR Berhad the contract for NRW infrastructure, installation, measurement and reduction amounting to RM5 million.

Total value of contracts secured in FY2020 was RM122 million (FY2019: RM45 million).

OPERATIONS REVIEW

Other highlights include AIR Berhad's projects at developing a NRW infrastructure, installation, measurement and reduction programme at Senai International Airport and participating in the sea water desalination plant tender under Malakoff. Pertaining to the former, AIR Berhad is awaiting the letter of award having secured the project. The sea water desalination plant is at the bidding stage and AIR Berhad looks forward to receiving positive news in FY2021.

OUTLOOK AND PROSPECTS

The Water Treatment Plant ("WTP") market will inevitably grow as every state in Malaysia faces serious water reserve issues. Population, industrial and economic growth will also drive increased water consumption. A growing demand for rubber glove manufacturing is also prompting more water reclamation enquiries. WTP growth will however be reliant on adequate funding by the Government and the private sector.

Our value creation model is driven by a growing awareness of the value of reclaiming wastewater. As the industry's appetite for water reclamation grows, AIR Berhad will continue to engage the market with innovative solutions and creative business models. It also intends to establish a professional in-house engineering team to enhance the company's overall offering with regards to tapping reclaim water.

AIR Berhad's strategic objectives for FY2021 are to ensure the efficient operation of their municipal and industrial WTPs, while gaining more customers for NRW management and in the industrial water sector. Presently being considered are opportunities to expand further afield in Malaysia and to develop strategic partnerships with Original Equipment Manufacturer ("OEM") for piping and other products to reduce water losses or rehabilitate wastewater.

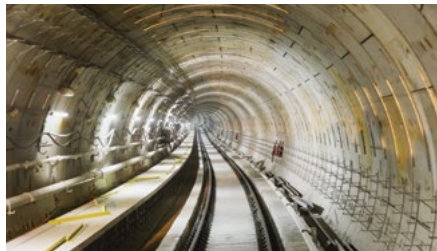
The company aims to strengthen their water reclamation operations by closely monitoring volume output on a weekly basis. Another key focus is helping to improve water reserve margins and thereby lower the operation costs of the state water operator. AIR Berhad also expects to continue its contract with Lembaga Air Perak with the possibility of unlocking a long-term concession. At the same time, it aims to expand into other states within Peninsular Malaysia.



Engineering

Transforming Landscapes, Building the Nation

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



OPERATIONS REVIEW

ENGINEERING DIVISION

The operating environment for the Engineering Division remained challenging, primarily due to the continued lack of public sector spending on large-scale infrastructure works. This trend over the past three to five years continued to affect engineering and construction companies that depended mainly on public sector expenditure to drive their order book and revenues.

FY2020 saw private sector expenditure propel construction activity by RM15.90 billion or 50.7% share of value of construction work done compared to the public sector with 49.3% share of value of construction work done or RM15.50 billion.

The challenging operating environment was attributable to the onset of the COVID-19 pandemic. The Government and the private sector's focus was further diverted from infrastructure expenditure towards combatting the spread of the virus. This was a necessary measure to ensure the well-being of the people and the country. As a result, the allocated development expenditure of RM56 billion under Budget 2020 was only partially disbursed during the financial year of FY2020.

The strict Movement Control Order ("MCO"), which was imposed in March 2020, caused delays to construction works. Although the construction sector was deemed essential and the subsequent lockdowns were less restrictive, the progress of works continued to be hampered by the requirements for stricter COVID-19 SOPs such as mandatory social distancing, reduced manpower and restricted travelling.

In addressing project delays caused by the MCO, the division restructured project milestones and deliverables and renegotiated project terms and commitments with clients, subcontractors and suppliers. These measures were necessary in controlling costs and ensuring project sustainability.

Other challenges faced were rising raw material and labour costs due to the temporary freeze on foreign labour. Competition had also intensified with an increasing number of international companies competing with local players for a dampened market demand.

In first quarter FY2020, the value of work performed in Malaysia's construction sector contracted by 6.3%. This represents a significant contraction valued at RM35 billion. The second quarter saw further negative growth of 44.9% (year-on-year). However, with the easing of restrictions in the second half of FY2020, the

third quarter saw rebound which was however insufficient to stave off a negative growth performance for FY2020. In FY2020, the construction sector contracted by 14.9% year-on-year.

In FY2020, the division participated in open tenders with a cumulative value of RM3.34 billion and submitted proposals for external projects with an aggregate value of RM34.70 billion. Internal MMC tenders totalled to RM2.74 billion.

With a lack of large scale tenders called in FY2020, MMC Engineering looked to harness Group synergy, by sourcing for engineering projects within the Group. The Division's efforts were successful and RM107 million in cumulative value of contracts were secured during the financial year.

The projects were the Northport Warehouse (RM70 million), the Swettenham Pier Cruise Terminal (RM8 million), Senai Airport City DP12 (RM14 million) and the Tanjung Bruas jetty extension (RM15 million).

In the face of fewer engineering opportunities and growing competition, MMC Engineering increased its private finance investment ("PFI") proposals to Government and private sector clients, while exploring projects involving technology and automation. MMC Engineering is also looking at examining potential opportunities that can be funded by the Government through a structured repayment scheme.

Focus in FY2020 was to execute projects on hand and the newly secured jobs while exemplifying operational excellence towards ensuring timely completion and recognition of revenue. In this regard, the Engineering Division has performed commendably, with all projects on hand seeing considerable progress, despite the aforementioned COVID-19 related impacts.

Additionally, efforts were also made to explore several niche markets outside of the Government sector. These include rail related projects, pipeline projects as well as works for smart buildings.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Performance And Highlights Developments

In FY2020, the Engineering Division posted revenue of RM1.15 billion, while PBT stood at RM319 million. As at 31 December 2020, the order book stood at RM2.95 billion.

OPERATIONS REVIEW

ONGOING PROJECTS IN FY2020



Klang Valley Mass Rapid Transit Putrajaya Line
("KVMRT Putrajaya Line") 2 projects
(Elevated and Underground packages)



Langat Sewerage Project



Langat 2
Water Treatment Plant



Sungai Pulai Bridge



GRAPHITE Project



MADA Irrigation Scheme



North Butterworth
Container Terminal



Northport Warehouse



Redevelopment Project
of SPCT



Tanjung Bruas Jetty
Extension



Senai Airport City
DP12 Earthwork

OPERATIONS REVIEW

OUTLOOK AND PROSPECTS

The industry outlook for FY2021 remains challenging due to the prolonged effects of the COVID-19 pandemic as well as ongoing political instability. These factors will impact the rollout of new infrastructure projects in FY2021.

In Budget 2021, new allocations have been made by the Government for key projects such as the KVMRT 3 line, the High-Speed Rail ("HSR") project and several water industry related CAPEX developments. In particular, the revival of the HSR is welcomed as it is anticipated to generate some momentum in recovery. However, the proposed changes to the line which will see it terminate at Johor and not stretch into Singapore, has altered the overall dynamics of the project.

Another project which the division expects to see is the Mass Rapid Transit 3 Circle Line ("MRT3") project. The Division also looks forward to potential construction opportunities under the Government's Large Scale Solar schemes, with the fifth instalment to be announced in FY2021.

MMC Engineering can leverage on a synergistic tie-up with Malakoff towards acquiring the construction portion of works. Overall, the construction sector is projected to rebound by 13.9% in FY2021.

MMC Engineering will continue to focus on opportunities arising from within the MMC Group. The Division will also focus on proposing PFIs, as well as projects driven by technology and automation.

A strategic priority for 2021 is to offer insightful solutions for our clients in major industries such as rail and gas. Technological advances along the lines of artificial intelligence and smart building hold considerable promise for establishing technological partnerships that enable MMC Engineering to lead in smart engineering solutions.

The division will look to establish a balance between short and long term contracts by expanding into new niche industries. These include smart building construction and industrialised building systems, EPC gas pipelines, trenchless piping works for sewer and gas pipelines, rail transit solutions, water treatment plants, centralised sewer treatment plants and power transmission lines. The division holds a distinct competitive edge in the form of its proven track record and expertise.

While submitting more tenders in these industries, we will respond to push and pull factors by expanding into the ASEAN market. The division shall target projects that directly address Economic, Environmental and Social ("EES") matters, such as rail for urban regeneration and wastewater for sanitation.

At the same time Engineering Division is enhancing its own sustainability by constantly improving the Division's environmental footprint and social performance.

SYARIKAT MENGURUS AIR BANJIR & TEROWONG SDN BHD

OPERATING ENVIRONMENT AND STRATEGIC RESPONSE

In FY2020, Syarikat Mengurus Air Banjir & Terowong Sdn Bhd ("SMART") looked to increase traffic volumes, enhance business and operational efficiency and to maximise shareholder value.

However, the onset of COVID-19 and the imposition of the MCO in March 2020 had significantly reduced traffic flow within the SMART tunnel. With that, toll collection was reduced which impacted financial performance. Other factors such as surrounding construction works and roadworks had caused road diversions leading to reduced traffic entering the tunnel. The situation improved from May onwards as the MCO restrictions were lifted.

Despite the aforementioned challenges, SMART has continued to exemplify operational excellence.

The operating company focused on ensuring strong compliance to all COVID-19 related SOPs. Employee health and safety was prioritised. For its efforts, SMART has recorded zero COVID-19 cases in FY2020.

Customers' safety remained a priority. Despite reduced traffic volumes, no compromise was made on tunnel maintenance activities. High-priority assets such as High Voltage, Gates and Pumps were prioritised. In FY2020, the SMART tunnel continued to provide convenient, cost-effective and speedy access to and from the Kuala Lumpur city centre.

In containing cost, SMART undertook a major renegotiation of supplier contracts that resulted in savings of RM2 million. The company was also successful in its application to waive interest on excess advance payments made to the Government. On a related note, SMART exercised its unrated SUKUK to refinance its existing debts. Additionally, efforts were also made to tap Government initiatives such as COVID-19 related subsidies for wages and electricity.

Cumulatively, these efforts enabled SMART to save RM0.6 million or 63% on CAPEX and RM1.53 million or 22% on OPEX. The company retained 100% of its employees during the financial year.

OPERATIONS REVIEW

BUSINESS AND OPERATIONAL PERFORMANCE

In FY2020, SMART's revenue dipped by 35% from RM36 million in 2019 to RM23.7 million in 2020 due to lower traffic volumes. On the back of reduced revenue, Loss After Tax ("LAT") of RM11 million (FY2019 LAT: RM4 million) was recorded for the financial year.

Traffic volume had decreased from 9.1 million vehicles in 2019 to 4.7 million in 2020 amounting to an average of 15,805 vehicles per day ("VPD") against an average of 28,627 VPD in FY2019.

On a positive note, the number of serious accidents inside the tunnel dropped to seven (10 in 2019) and four outside (9 in 2019). There were eight minor accidents with no deaths recorded. Two serious injuries and one light injury was reported.

Highlights And Achievements

In FY2020, SMART successfully introduced the first Waze beacon in the SMART tunnel in collaboration with U-Mobile. These beacons will ensure that drivers' GPS continue to work while traversing the tunnel.

The SMART tunnel was also effective in serving its other purpose as a flash flood prevention mechanism. In FY2020, only one occasion, Mode 4, that is total closure of the tunnel was activated due to prolonged periods of heavy rain. This prevented key areas of the city centre from flooding as opposed to other areas in the Klang Valley which were inundated with water. There were also nine closures due to Mode 3 and 61 closures due to Mode 2.

OUTLOOK AND PROSPECTS

With the imposition of new MCO in FY2021 which restricts travel movement to within a 10 kilometres radius, we foresee a continued downward effect on traffic volumes. However, the situation is expected to improve going into the second and third quarters of FY2021.

SMART will continue to focus on cost containment strategies as well as improving operational efficiency. The company will look to optimise existing resources and assets towards ensuring smooth operations of the SMART tunnel. The health and safety of its people will also remain a priority.

Separately, a welcome development is the direct link between the SMART tunnel and the Tun Razak Exchange Development, Malaysia's new financial exchange and business district.

The direct link to such a high profile project is expected to increase traffic volumes to the SMART tunnel and once again emphasises the strategic role that the tunnel plays in providing fast and convenient access to and from the city centre.



Industrial Development

Driving Investments Spurring Economic Growth

A leading master developer for three industrial developments totaling approximately 5,000 acres, namely Senai Airport City (“SAC”), Tanjung Bin Industrial Park (“TBIP”) and Northern Technocity (“NTC”). All developments are strategically located with connectivity to maritime ports via a network of highways.



OPERATIONS REVIEW

INDUSTRIAL DEVELOPMENT

MACRO-OPERATING ENVIRONMENT

FY2020 proved to be a challenging year for the Industrial Development Division aggravated by COVID-19 which had affected overall economic activity.

Though interest for industrial land in FY2020 remained strong, the continued slowdown of production in many industries due to total shutdown during the various MCOs resulted in many investors prioritising business and operational sustainability over business development or capacity expansion.

Large scale capital expenditure (CAPEX) for the most part, such as land leases remained deferred as companies looked to manage costs amidst declining or halted production due to adherence to SOPs and reduced consumption demand for goods and services.

The political instability also posed challenges as the impact had delayed certain development approvals, which consequently, cause concerns amongst Foreign Direct Investment ("FDI").

Despite the challenges faced, MMC's Industrial Development Division doubled its efforts in FY2020 to secure investors and leverage on the distinctive value proposition of its developments, such as its strategic location, ready platform, infrastructure readiness, and free zone area. As a result, the division was successful in securing approximately 40 acres of land sales at Senai Airport City development.

The Sungai Pulai Bridge that will link the district of Gelang Patah to Tanjung Bin is scheduled for completion in June 2022 and will be a catalyst in attracting more investments to Tanjung Bin Industrial Park. Northern Technocity at Kulim, Kedah targets to commence its site development work in second quarter 2021. The division is optimistic that the current infrastructure and preliminary works for the two developments will lead to further land sales opportunities in the near future.

In terms of ongoing infrastructure works, the requirements for new SOPs such as COVID-19 testing for all construction workers initially affected the completion of infrastructure development projects. However, as the construction sector was deemed an essential service by the Government, pace of work regained momentum in the second half of the year. Most of the division's industrial projects are back on track for completion as per the revised completion schedule.

Intensifying competition from industrial parks in neighbouring countries, as well as ready-built factories and built-to-suit facilities from local and foreign rivals remained a challenge in FY2020. The Industrial Development Division has risen to this challenge by continuing to develop "customised offerings" for prospective

investors, which better meets their specific requirements towards enabling a stronger value proposition.

Strategic Response to Operating Environment

In lieu of reduced FDI, The Industrial Development Division's focus was on driving Domestic Direct Investment ("DDI") for its development. Efforts were focused on attracting high value industrial sectors such as logistics providers, pharmaceutical and FMCG organisations. Industrial segments that were closely aligned to Government promotional activities, such as electrical and electronics ("E&E") and food and agro processing were also targeted in FY2020.

The "Plug-and-Play" development model with ready infrastructures such as power and water supply, natural gas pipeline and telecommunication is favourable to the investors as it offers cost and time efficient industrial development.

The Industrial Development Division will continue to develop these infrastructure to attract new investors. Furthermore, the division is also looking at companies residing/based in other industrial parks. The division is actively engaging companies established within old industrial parks across the country to reassess their present base of operations and showcase the strategic and business sense of switching to a new and more strategic location.

From a financial perspective, the Industrial Development Division continues to prudently manage cashflows and operational costs to ensure a healthy cash position. This includes phasing its development works, focusing on targets and prioritising prime development areas.

Using digital technologies, the division is actively engaging prospective investors as well as other stakeholders. Online meetings enabled regular marketing and promotional efforts to continuously promote awareness and interest in the developments. The same approach was employed for internal meetings among employees towards reducing their exposure to the ongoing pandemic while ensuring optimal work productivity.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

The Industrial Development Division's total land bank measures over 5,000 acres with a gross development value ("GDV") exceeding RM8.3 billion. Specifically, in Senai Airport City, the division achieved approximately 40 acres of land sales in FY2020.

PROJECT/DIVISIONAL UPDATES AND DEVELOPMENTS

In addition to the concluded 40 acres land sales in FY2020, the Industrial Development Division is building on the momentum with approximately 90 acres of land in the sales pipeline which is expected to conclude in FY2021.

OPERATIONS REVIEW

Despite the initial disruptions caused by the COVID-19 pandemic, construction progress of the Sungai Pulai Bridge at the Tanjung Bin Industrial Park ("TBIP") is progressing smoothly and is expected to be completed by June 2022.

Industrial Development Division has received approval from the local municipal of Kulim Hi-Tech Industrial Park for the Northern Technocity masterplan and earthworks. The proposed development is expected to commence earthwork by the second quarter of FY2021.

FY2020 saw the Industrial Development Division leveraging on the synergistic strength of the MMC Group of companies namely AIR Berhad and Gas Malaysia. The former which specialises in water treatment constantly introduces potential investors that may require the services of the Industrial Development Division as part of its value-added services to its investors. Gas Malaysia has on the other hand been a constant and reliable partner for supplying natural gas infrastructure to its industrial developments.

In August 2020, the Industrial Development Division attended the inter-chamber networking and briefing session organised by Invest Johor and British Malaysian Chamber of Commerce, which was also attended by senior Johor state officials, Federal and State Government agencies and business chambers. The following month, the division hosted a research visit from a delegation of bankers to Senai Airport City.

Throughout the financial year under review, various other engagements with federal and state investment promotion agencies such as MIDA, IRDA, and Invest Johor were also organised.

OUTLOOK AND PROSPECTS

According to Malaysia's Ministry of Finance, the global economy is projected to grow by 5.2% in FY2021, while global trade will see an 8.3% increase as economic activities recover. A rebound in economic activities should heighten demand for industrial land and buildings.

The Malaysian economy is projected to rebound by between 6.5% and 7.5% in 2021. The manufacturing sector is specifically forecasted to revive by 7% as a consequence of E&E growth as work-from-home ("WFH") and virtual communications are integrated into new business practices. This in turn will create higher demand for integrated circuits, memory and microchips in the global semiconductor market.

The global E&E industry, amid the COVID-19 pandemic outbreak is projected to achieve USD3,699 billion in FY2023.

The recent announcement under Budget 2021, which provides various incentives and stimulus for investments and the signing of the Regional Comprehensive Economic Partnership ("RCEP"), which will drive free trade should attract both increased FDI and DDI

investments. This includes industrial development type investments that plays well for the Industrial Development Division.

Furthermore, the demand for pharmaceutical products has been increasing in tandem with the pandemic due to changes in consumer behaviour and hygiene practices. The trend is expected to spur demand for industrial land and warehousing.

Our future strategic collaborations with other developers may bring opportunities to pool resources for more effective customer acquisition strategies

In meeting future demand, the division will allocate capital to improving its infrastructure and land platform, while leveraging its online platform for continuous business engagement with stakeholders and clients. Key industries targeted are E&E, eCommerce, pharmaceuticals, plastic products, machinery and equipment and F&B. Our strategic priorities are to attract strategic FDI and DDI investment and explore joint ventures with niche developers and real estate investors for "build and lease" industrial facilities.

The division will also continue to attract multinational corporations by positioning its industrial parks as ideal locations for principal or global trading due to its strategic location and existing ecosystem. At the same time, the division will continue developing relationships with stakeholders such as MIDA, Invest Johor, IRDA and other relevant agencies for future business opportunities.

OTHER BUSINESS



SENAI AIRPORT TERMINAL SERVICES SDN BHD

OPERATING ENVIRONMENT

The restrictions on air travel due to the COVID-19 pandemic led to a drastic drop in passenger volumes globally. Consequently, this had a major impact on airlines, airports and other global aviation based operators. In FY2020, the aviation sector experienced a 66% decline in traffic year-on-year due to border closures, airlines terminating flight routes and a general reluctance among consumers to travel.

OPERATIONS REVIEW

Global Air Cargo volumes were less severely affected, declining by about 10.6% due to the boom in e-commerce, pharmaceutical and healthcare industry as well as other facilitative factors such as airport to airport trucking services.

While domestic flights were allowed to resume in the second half of the year, the flight frequency was minimal due to the extension of interstate travel restriction. In addition, the continued restriction on international flights weighed down on overall passenger volumes and thus, aero revenues derived from aircraft landing and passenger service charge declined drastically in FY2020.

The situation was compounded by fixed operating costs associated with the provision and maintenance of infrastructure and services such as safety and security. These are costs incurred regardless of traffic levels. Senai Airport Terminal Services Sdn Bhd ("Senai International Airport") had to ensure that the airport continued its operations (albeit with reduced operational hours and facilities) as airports are deemed essential services.

Given the reduced passenger footfall in FY2020, Senai International Airport's local and international retail brands that rented outlets at the airport were also impacted. In short, non-aero revenue were also negatively impacted in FY2020.

BUSINESS AND OPERATIONAL PERFORMANCE

Financial Results and Statistics

The dipping aero and non-aero revenues had impacted Senai International Airport's overall financial performance in FY2020 due to the COVID-19 impact.

Revenue plummeted by 58% year-on-year in FY2020 to RM34 million. Revenue contribution from all segments – passenger and aircraft movements, cargo volumes as well as commercial/scheduled flights and non-commercial/non-scheduled flights all declined in FY2020.

On the back of reduced revenue arising from a decline in passenger footfalls, aircraft and cargo movements in FY2020, Senai International Airport recorded a loss before tax and loss after tax of RM38 million and RM36 million respectively.

HIGHLIGHTS AND ACHIEVEMENTS

Aero Operations

In optimising costs, Airport operational hours were shortened from 0600–2400hrs to 0700–2200hrs. Selected sections of the terminal were temporarily closed, while other measures included maintaining air conditioning at an optimum 25°C and switching off lights when not in operation. Only critical maintenance works were prioritised, such as ground lighting, runways and works related to safety and regulatory compliance. Other improvements include multitasking and reskilling.

These and other initiatives enabled Senai International Airport to save up to RM11 million in operational expenditure, while optimising manpower and operational efficiencies and effectiveness.

On a related note, negotiation was also undertaken with the State and Federal Governments to restructure financial commitments with some measure of success achieved.

With the Government allowing domestic air travel to resume in the second half of the year, Senai International Airport proactively approached airlines to mount more flights and add extra routes.

Strategic efforts were also made in continuing to leverage on Johor state's growing reputation as a healthcare travel destination, given that air travel for medical purposes was still permitted in FY2020. Cargo/logistics operations, which were not as significantly impacted, continued to be prioritised towards propping aero revenue mainly due to the rising demand from e-commerce segment.

Terminal expansion works continued to proceed as the infrastructure works project is critical to the long-term development of Senai as an international aviation hub. Cancellation of the project would force Senai International Airport to pay compensation to the contractors. Expansion works commenced in March 2020 and as at 31 December 2020, the project progress is as scheduled at 38%.

The project is essential as in FY2019 Senai International Airport handled 4.27 million passengers, exceeding its terminal capacity of 4 million passengers per annum. The expanded terminal will increase passenger capacity to 5 million passengers per annum,

| KEY STATISTICS | FY2018 | FY2019 | FY2020 |
|---|-----------|-----------|-----------|
| Passenger movements | 3,522,576 | 4,270,144 | 1,096,517 |
| Cargo (metric tonnes) | 9,691 | 14,694 | 10,120 |
| Aircraft movements | 52,030 | 58,335 | 21,481 |
| i. Commercial / scheduled | 32,574 | 38,271 | 13,189 |
| ii. Non-commercial / non-scheduled (training, flying clubs, business jets) | 19,456 | 20,064 | 8,292 |
| Revenue (Aero and Non- Aero) (RM' million) | 69.9 | 80.9 | 33.9 |
| EBITDA (RM' million) | 41.3 | 52.8 | 12.3 |

OPERATIONS REVIEW

sufficient to meet passenger handling requirements for up to the next 5 years, when the traffic performance recovers to pre-pandemic levels.

On a related note, Senai International Airport completed the terminal enhancement and upgrading project of Kertih Airport in July 2020. The terminal enhancement project covers the passenger waiting area, check-in counters, activity corner and retail space. This has contributed to creating more space and comfort for passengers and airport visitors.

Non-Aero Business

With aero revenues being severely impacted, strategies were shifted to enhance the non-aero revenue sources. This includes focusing on land sales. The efforts were successful when a 1.5-acre land parcel was leased for the development and operations of a petrol station. The lease generated RM4 million in revenue for Senai International Airport.

Noteworthy in supporting the airport's retailers, Senai International Airport granted incentives to existing tenants on a case-by-case basis. Revised rental rates and packages were designed to entice new tenants. These efforts proved successful with two new tenants moving into the airport. These include the major local sporting goods retailer Al-Ikhsan Sports and the first Indian fast-food restaurant in the airport, Chutney and Chai.

The airport also launched a 'Free Parking' campaign during lunch and dinner hours to attract more people from the surrounding community to the airport from the month of July to December 2020, in particular to support the food and beverage operators.

At the same time, tenants were encouraged to explore online food delivery apps such as GrabFood and FoodPanda to expand their client base as the airport is surrounded by matured industrial manufacturing as well as resident community. Tenants were also provided with marketing support via the airport's branding and media platforms.

In addition to the above, Senai International Airport has successfully secured new advertisers and contract renewal extensions for existing advertisers.

As a result of these measures, Senai International Airport was able to maintain a tenant occupancy rate at 78% (FY2019: 92%), despite a 36% reduction in non-aero revenue.

OUTLOOK AND PROSPECTS

Given the severity of the impact and the continued lingering presence of the pandemic, the aviation industry is expected to have a long recovery journey to pre-pandemic levels. However, there is cause for optimism with the availability of vaccines globally as well as in Malaysia. The local aviation sector awaits with much

anticipation for the distribution of vaccines in the country, beginning the first quarter of FY2021.

As vaccines inoculate people from COVID-19, the aviation sector is expected to rebound, first with the resumption of domestic travel and subsequently international, through 'travel bubbles' between groups of countries as well as green lanes between specific destinations.

Although passenger confidence in air travel may increase with the introduction of vaccines, flights will only resume in stages as struggling airlines regain cash flow and financial health. The aviation sector, together with the Government must also continue to work towards restoring the connectivity which is vital to support the nation's economy sectors.

Senai International Airport's focus will be on restoring existing routes by convincing airlines to resume all domestic routes, even with a lesser flight frequency at the initial stage. Efforts will be made to actively promote the state of Johor as a preferred destination.

Given the anticipated slow recovery of the air travel industry, Senai International Airport will increase its efforts in the non-aero segment by promoting the availability of its development land in the vicinity of Senai International Airport. The company will target offering land to manufacturers, logistics players and warehouse distributors as these are the sectors that are most likely to require easy access to aviation based logistics.

In terms of retail tenant mix, Senai International Airport is looking to secure new local and international brands while persuading online businesses to open physical outlets. A short-term leasing strategy of between one and three months will be employed, supported by rental incentives for new prospects, and other incentives such as free marketing through Senai International Airport's website and social media. At the same time, retaining our current retailers and tenants through rental incentives are critical.

Senai International Airport will continue to leverage on Johor's strategic location and economic position as a preferred venue for meetings and events. Senai Business Aviation Terminal will continue to cater to the needs of private and business jets.

The future remains challenging. However, the medium to long-term prospects for the aviation sector remains robust. The fundamentals continue to be strong, driven by pent-up demand for aviation, especially in South East Asia and Malaysia. Both passenger and cargo aviation hold immense potential driven by a wide range of factors.

Senai International Airport remains positive of its future and will come out stronger as it weathers the present turbulent operating environment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate governance is fundamental to the success of an organisation. The Board recognises the significance of good corporate governance and continuously strives to ensure that its high standards are practiced across the Group.

Maintaining sound corporate governance by striking a balance between the interests of the stakeholders and the Company has been the main priority of the Board. This is achieved through the implementation of the three (3) key principles of good corporate governance as set out in the Malaysian Code on Corporate Governance 2017 (MCCG).

The Corporate Governance Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad Listing Requirements (Listing Requirements) and is to be read together with the Corporate Governance Report (CG Report), which is made available on the Company's website, www.mmc.com.my. The CG Report provides a detailed explanation on the application of the corporate governance practices as set out in the MCCG by the Group during the Financial Year 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. The Responsibilities of the Board

The Board of Directors, led by the newly-appointed Group Chairman, YBhg. Datuk Seri Tajuddin Atan, oversees and directs the business and affairs of the Group whilst staying committed to its responsibility and duty to the shareholders and various stakeholders to create and deliver sustainable value and long-term success, in line with the Group's vision and mission.

In furtherance of its duties of charting the Company's direction and goals, the Board had, on 25 November 2020, approved the Group's 5-Year Strategic Business Plan (2021-2025) (MMC Group Business Plan). The MMC Group Business Plan, which is driven by sustainable growth, reflects the strategic focus and intensified efforts of the Group's four (4) main divisions to ensure that the Group's competitive edge both locally and regionally remains undiminished amidst an increasingly challenging operating environment, primarily contributed by the global pandemic.

To ensure prudent and effective control of the operations in the Company, the Board adheres to the Corporate Governance Model as illustrated herein:



The Corporate Governance Model is supported by the Company's Limits of Authority (LOA) which sets out the relevant matters and applicable limits reserved for the Board in the discharge of their responsibilities, and matters that could be delegated to the Committees, the Group Managing Director (GMD) and Management.

There is a distinct and clear division of responsibility between the Group Chairman and the GMD to ensure a strict balance of power and separation of authority. The Group Chairman is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Group Chairman also serves as the main link between the Board and Management, particularly between the Board and the GMD.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The GMD, assisted by the Senior Management team, is responsible for the Company's business and day-to-day management. This combined effort of individuals of various skills and experience operates to achieve the best outcome for the Company. The GMD also develops and implements long-term strategies and vision for the Company to create shareholders' value.

The Board Policy Manual, a source reference document for the Directors, outlines matters relating to the Board and its processes. It also sets out the duties and responsibilities of the Group Chairman, the GMD and the Board as a whole. The Board Policy Manual is made available on the Company's website, www.mmc.com.my, in line with the recommendations made by MCCG.

The effort to create good corporate governance is also strengthened by the adoption of the Company's Code of Ethics (COE) and Whistleblower Policy (WB Policy) which are also made available on the Company's website.

The COE was revised and adopted on 24 August 2020 mainly to align with the duly approved Anti-Corruption and Anti-Bribery Policy and Framework of the Company. The revision was also to include development in the related laws and policies. The COE sets out principles, practices and standards of personal and corporate behaviour to which all Directors and employees of MMC Group are required to comply. Failure to comply with the COE is a serious breach, and appropriate action will be taken for its non-compliance.

The WB Policy of MMC Group was also recently revised on 25 November 2020 to incorporate changes in laws and regulations and to refine the implementation and coordination since its last revision. The WB Policy provides an avenue for employees and third parties to make good-faith disclosure and report instances of unethical, unlawful or undesirable conduct without fear of reprisal. The identity of the whistle-blower and the concerns raised are treated with the utmost confidentiality.

In upholding the value of integrity, the Board had, together with the Senior Management team, pledged to conduct business ethically and adhere to all applicable laws and regulation whilst embracing zero-tolerance on any form of bribery and corruption, as witnessed by the Malaysian Anti-Corruption Commission (MACC).

As of 4 June 2020, 15,327 employees of MMC Group, representing 100% of the workforce, have pledged the same to ensure that the same standards of ethics and tolerance are practiced within the Group. MMC Group would continue with the practice of pledging the *Ikrar Bebas Rasuah* (IBR) among its new hires. In reinforcing the effort towards the committed goal, the MMC's Anti-Bribery and Anti-Corruption Policy and Framework have been implemented on every level within the Group within a year since its inception and is made available on the Company's website.

In Financial Year 2020, the Group had also established the Integrity and Governance Unit (IGU) within the Organisation, in line with the Prime Minister's Directive Series 1 No. 1 Year 2018 in relation to the establishment of the Integrity and Governance Unit in Government Linked Companies (GLCs), Companies Owned by the Ministry and Government Agencies including the State Government (Directive) as well as the Guidelines for the Management of the IGU (2019) (Guidelines). The IGU function is being incorporated in the Risk Management Department with defined roles and responsibilities. The Group Risk Management and Integrity Governance will implement the four (4) core functions, namely, Complaint Management, Detection and Verification, Integrity Strengthening and Governance. The integrity matters will be reported to the Finance, Investment and Risk Committee (FIRC) and the same would be escalated to the Board for its information and/or action.

To ensure abidance to the law, the Board and Management receive advice from the Company Secretaries on statutory, regulatory and corporate development, as well as the implementation of corporate governance measures and compliance as applicable to the Group. All Directors have full access to the advice and services of the Company Secretaries, who are qualified to act as Company Secretary under the Companies Act 2016.

II. The Composition of the Board

The Board comprises a total of five (5) Independent Directors and three (3) Non-Independent Directors as at 31 December 2020, who were selected based on their expertise, experience, integrity and character. The Board consists of a majority of Independent Directors with

CORPORATE GOVERNANCE OVERVIEW STATEMENT

expertise and skills from various fields and backgrounds. Thus, there is an optimum Board balance and in compliance with the Listing Requirements in respect of the composition of the Board of Directors.

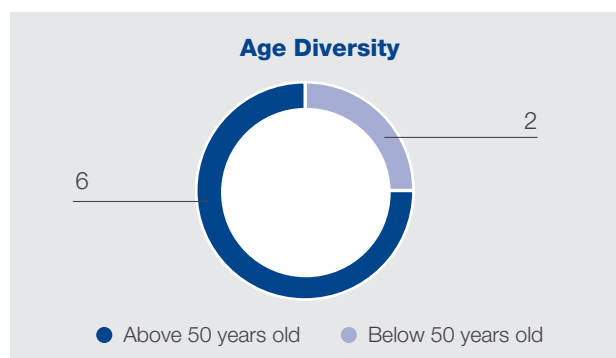
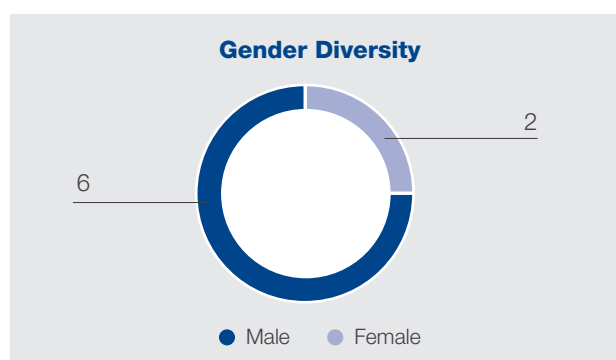
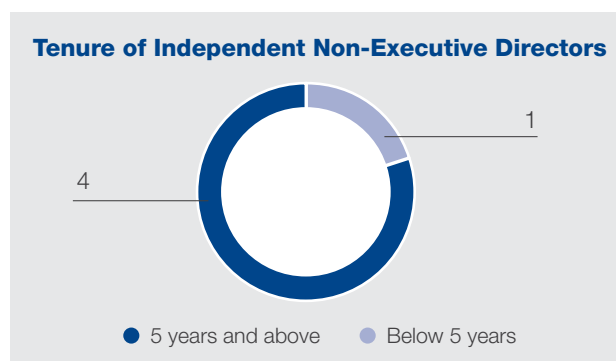
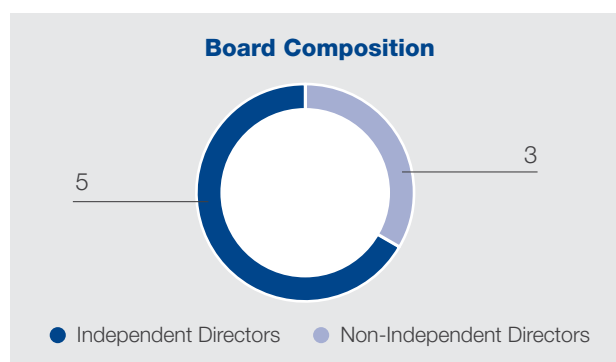
The Company had, on 1 September 2020, appointed YBhg. Datuk Seri Tajuddin Atan as the new Group Chairman in place of YBhg. Tan Sri Shamsul Azhar Abbas who had resigned on 31 August 2020. YBhg. Datuk Seri Tajuddin Atan, with his 35 years of experience in the corporate and financial industry, is expected to continue to drive the Board in ensuring that the Group's aspirations and objectives are aligned with the business activities carried out by Management.

The Board recognises the importance of diversity in designing its composition while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board. Diversity has been considered from various aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills and knowledge. The Board, through the Nomination and Remuneration Committee, will continue to consider candidates of different gender, ethnicity and age with the appropriate skills, experience and characteristics, as part of its selection exercise.

The Board encourages and supports more women participation in the Company's decision-making positions whilst it continues to strive towards 30% women participation in the Board composition. Out of the eight (8) Directors, two (2) are women.

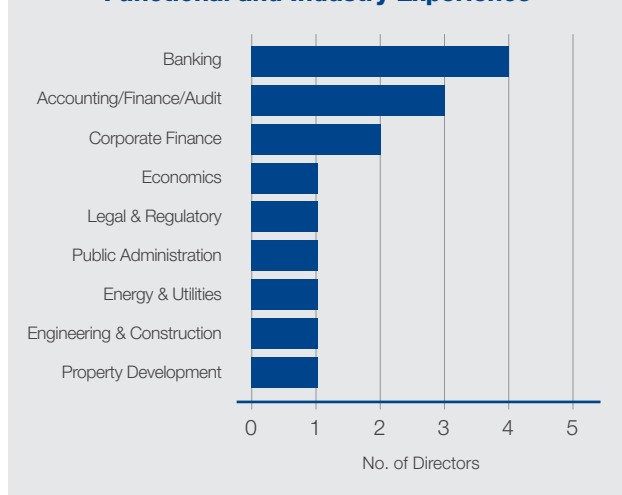
Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board comprises a good mix of members with diverse academic backgrounds to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of the Group's businesses. The composition of the Board is such that no individual or small group of individuals can dominate the Board's decision making.

The summary of the Board Diversity is depicted in the charts below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Functional and Industry Experience



With the Company's best interest in mind, the Board undertakes a 360° assessment exercise on an annual basis to evaluate the performance of the Board, Board Committees and the performance of individual Directors. The Company Secretaries facilitate the assessment exercise by way of a questionnaire covering various aspects such as Board's structure, Board's operation and interaction, contribution to interaction, understanding of the role, etc., which is distributed to the Directors.

The questionnaire is designed to identify and recognise the strength of the Board, collectively and individually. It is also used as a tool to identify areas for improvement.

The findings of the assessment will then be compiled and collated by the Company Secretaries, and a report of the findings will be tabled to the Nomination and Remuneration Committee for deliberation. Subsequently, the report will be discussed and agreed upon by the Board collectively.

The findings of the evaluation for individual Directors will also be used as a basis for determining the re-election of Directors at the Annual General Meeting of the Company.

Based on the assessment exercise conducted for the Financial Year 2020, it can be concluded that the Board and its Committees are effective in discharging its responsibilities, and there is no significant weakness identified.

Additionally, the Board has identified the following areas/topics to further enhance and assist the Directors in discharging their duties and responsibilities as a Director of the Company:

- Update on changes to the law and regulations relating to the business;
- Site visits to Operating Companies;
- Port & Logistics Industry training;
- Renewable Energy Industry training;
- An effective Non-Executive Director in a disruptive world;
- Financials;
- Updates on Securities Commission and Bursa Malaysia guidelines and requirements;
- The trend on Logistics & Energy;
- Economic Trends post COVID-19; and
- Industry-specific training.

III. The Remuneration of the Board

The Board has established a formal and transparent process in determining the appropriate remuneration package for the Board.

The Board, with the assistance of the Nomination and Remuneration Committee, reviews the level of remuneration of Directors to ensure that it is sufficient to attract and retain the Directors needed to lead the Company to success. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors. The Board also ensures that the Directors' remuneration remains competitive, appropriate and aligned with the market practice.

In line with the same, the Board had, on 24 August 2020, approved the revision in the Non-Executive Directors' (NEDs) fixed fee, from RM8,000.00 per month to RM10,000.00 per month effective 1 September 2020. The increase in the NEDs fixed fee was within the mandate obtained from the shareholders at the Company's 44th AGM held on 22 June 2020.

The Board deemed that the review of the existing fixed fee was necessary in view of the growing level of roles and responsibilities of the NEDs, as well as challenges in discharging their fiduciary duties. It was also to ensure that the remuneration package commensurate with the responsibilities and accountabilities of the NEDs in this current challenging business environment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details of the remuneration received by the NEDs and the GMD for the Financial Year 2020 are set out in the table below:

| EXECUTIVE DIRECTOR | | | | | | |
|-------------------------|--|---|-----------------------------------|-----------------------|--|--------------|
| No. | Name | Salary, Bonus and Defined Contribution (RM) | Benefits (RM) | | Remuneration received from Subsidiaries (RM) | Total |
| 1. | Dato' Sri Che Khalib Mohamad Noh | 5,163,819.40 | 167,397.56 | | 260,350.00 | 5,591,566.96 |
| NON-EXECUTIVE DIRECTORS | | | | | | |
| No. | Name | Board Fee (RM) | Meeting and Fixed Allowances (RM) | Benefits-in-kind (RM) | Remuneration received from Subsidiaries (RM) | Total |
| 1. | Datuk Seri Tajuddin Atan (Appointed on 1 September 2020) | 200,000.00 | 9,500.00 | - | - | 209,500.00 |
| 2. | Datuk Ooi Teik Huat | 104,000.00 | 124,000.00 | - | 119,800.00 | 347,800.00 |
| 3. | Dato' Abdul Hamid Sh Mohamed | 104,000.00 | 80,000.00 | - | - | 184,000.00 |
| 4. | Dato' Siti Halimah Ismail | 104,000.00 | 43,500.00 | - | - | 147,500.00 |
| 5. | Syed Naqiz Shahabuddin | 104,000.00 | 37,500.00 | - | - | 141,500.00 |
| 6. | Dato' Ir. Jamaludin Osman | 104,000.00 | 54,000.00 | - | - | 158,000.00 |
| 7. | Sharifah Sofia Syed Mokhtar Shah | 104,000.00 | 17,500.00 | - | - | 121,500.00 |
| 8. | Tan Sri Dato' Seri Shamsul Azhar Abbas (Resigned on 31 August 2020) | 400,000.00 | 16,000.00 | 65,345.18 | 470,000.00 | 951,345.18 |
| 9. | Tee Beng Thong (Resigned on 1 July 2020) | 48,000.00 | 17,500.00 | 35,000.00 | - | 100,500.00 |

The Board, through the Nomination and Remuneration Committee, also periodically reviews the general remuneration policy of MMC Group of Companies to ensure that the remuneration is attractive to retain and attract the best talents.

IV. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises wholly of Independent Directors. YBhg. Datuk Seri Tajuddin Atan had assumed the role of the Chairman of the Nomination and Remuneration Committee in line with his appointment as the Company's new Group Chairman. The Terms of Reference of the Nomination and Remuneration Committee is published on the Company's website.

The details of the activities of the Nomination and Remuneration Committee are described in the CG Report 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. The Audit Committee of the Board

The Audit Committee comprises three (3) members, a majority of which are Independent Directors. The Audit Committee is chaired by the Senior Independent Director, YBhg. Datuk Ooi Teik Huat.

In order to regulate the effectiveness and the composition of the Audit Committee, the members are evaluated annually through the Board Evaluation Assessment, with a view to maintain the element of objectivity and independence. The Board, through the Nomination and Remuneration Committee, will ensure that a Director who is financially literate with the appropriate knowledge and experience, and a strong understanding of the Company's business, will be appointed to the Audit Committee. The revised Terms of Reference of the Audit Committee dated 25 November 2020 is published on the Company's website.

The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance of each member are set out in the Audit Committee Report in the Company's Annual Report.

II. Risk Management and Internal Control Framework

The risk management and internal control framework of the Group was approved by the Board.

The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure that significant risks faced by the Group are being managed appropriately to respond to the changes in the business environment. There are two (2) Committees at the Board level that have the primary risk management and internal control oversight responsibilities:

- The Finance, Investment and Risk Committee – oversight over risk management; and
- The Audit Committee – oversight on governance, internal control system and financial matters.

Both the Finance, Investment and Risk Committee and the Audit Committee comprise a majority of Independent Directors.

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty to the Company.

The details of the Risk Management and Internal Control Framework of the Group are disclosed in the Company's Annual Report under the Statement of Risk Management and Internal Control. The activities of the Finance, Investment and Risk Committee of the Board are also disclosed in the Company's Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

MMC upholds its commitment in ensuring transparent, accurate and timely communication with the shareholders and stakeholders to enable them to make informed decisions to their benefit.

In order to facilitate the timely dissemination and disclosure of the Company's material information to the shareholders and various stakeholders, the Company Corporate Disclosure Policies and Procedures is made accessible on the Company's website to every interested party. The Corporate Disclosure Policies and Procedures outlines the procedures in disseminating the Group's information to the shareholders, stakeholders and the general public.

In addition, the establishment of the Company's Facebook and Instagram pages has served as essential communication platforms by providing modern and virtual interactive communication channels. The easy and user-friendly nature of the platforms has allowed instantaneous access to the Company's information, while also reaching out to a wider audience of potential shareholders and stakeholders.

The Company continues to meet physically and virtually with research analysts, fund managers, members of the media/business editors, and institutional investors from both the local and international investment communities.

MMC's objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. Relationships with the investment community are built on integrity, qualitative and timely information and Management's ability to perform and deliver effectively. Communication is a two-way process to enable Management to understand investors' attitudes towards the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

There is also a dedicated section on Investors' Relation on the Company's website for the dissemination of corporate and financial disclosures. In addition, stakeholders or shareholders can also channel any concerns or feedbacks that they have pertaining to the Group to the key IR spokespersons of MMC by emailing them at investors@mmc.com.my

II. Conduct of General Meetings

Annual General Meeting (AGM) is held each year to consider the Company's ordinary business and any other special business. Each item of special business included in the notice is accompanied by an explanation of the effects of the proposed resolution.

The Notice of 44th AGM dated 19 May 2020 was issued to the shareholders more than 28 days prior to the meeting, which was held on 22 June 2020. The Notice of the 44th AGM was also published in a local daily English newspaper and was also made available on the Company's website.

In compliance with the Listing Requirements, all resolutions tabled at the AGM will be voted by poll. An announcement will be made on the detailed results of the poll showing the number of votes cast for and against at the conclusion of the voting process.

The GMD will present the highlights of the MMC Group's financial performance and business operations overview of the Company for the preceding financial year, during the AGM, to deepen the shareholders' understanding of the Company's state of affairs.

In addition, MMC's responses, in relation to the queries raised by the Malaysian Shareholders Watch Group (MSWG) on the Company's financial performance, strategic and corporate governance matters, as well as, the matters relating to the resolutions, were also shared with the shareholders during the AGM.

The Company values feedback from its shareholders and encourages them to actively participate in discussions and deliberations. During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Group Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

Due to the unprecedented circumstance caused by the pandemic crisis, the Company held its first-ever Virtual AGM in 2020. This was necessary for the safety and health of its valued shareholders and employees. The meeting was conducted in accordance with the Guidance Note on the Conduct of General Meetings as issued by the Securities Commission of Malaysia.

The change in the conduct of the general meeting compared to the previous years did not, in any way, jeopardised the Company's compliance with the Listing Requirements, as all motions/resolutions tabled at the Virtual AGM were voted by poll through the electronic voting. The detailed results of the poll, after being scrutinised and audited by an Independent Scrutineer, were broadcast to the shareholders for their information.

In the Virtual AGM, shareholders participated in real-time by addressing their concerns or questions via the messaging icon through the application used during the AGM.

All Directors attended the Company's 44th AGM, either physically at the Broadcast Venue under strict operating procedures or virtually at their respective locations, engaged directly with the shareholders, and responded to queries raised by the shareholders.

The Minutes of the AGM and/or Extraordinary General Meetings of the Company are disclosed and published on the Company's website.

STATEMENT ON COMPLIANCE

Overall, the Company has substantially complied with the majority of practices of the MCCG for the Financial Year 2020. The Board is committed and will continue to strengthen its application of the corporate governance practices and procedures throughout the Group, in pursuit of safeguarding the interest of all our shareholders and stakeholders.

The Corporate Governance Overview Statement has been approved by the Board of Directors at its meeting on 23 February 2021.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") on the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors is pleased to present the Statement on Risk Management and Internal Control ("the Statement") for MMC Corporation Berhad for the Financial Year ended 31 December 2020.

BOARD RESPONSIBILITY

The Board of Directors ("Board") accepts its overall responsibility in overseeing and maintaining a sound system of risk management and internal control to safeguard shareholders' investments, the Group's assets and other stakeholders' value and interests.

The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system. This is to ensure significant risks faced by the Group are being adequately managed to respond to any changes in the business environment. There are two committees at the Board that have the primary risk management and internal control oversight responsibilities:

- The Finance, Investment and Risk Committee ("FIRC") – oversight on the risk management and integrity matters.
- The Audit Committee ("AC") – oversight on the governance, internal control system and financial matters.

RISK MANAGEMENT

The risk management and internal control systems are designed to manage, rather than eliminate risks that hinder the Group from achieving its goals and objectives. Risk management encompasses the risk identification, analysis, evaluation, treatment, communication, review and monitoring of identified risks in order to achieve business objectives and plans.

Risk Management Framework

The established Enterprise Risk Management Policy and Framework ("Framework") is aligned to the ISO 31000 "Risk Management - Principles and Guidelines". The Framework provides a structured and consistent approach to risk management across the Group for informed decision-making and managing day to day business operation.

Our policy is to identify, analyse, evaluate and mitigate the risks in order to prepare and protect the Group from business disruption, financial losses, uncertainty and lost opportunities.

All risks relevant to the Business Plan to achieve the targeted business objectives are evaluated. The relevant controls, action

plans and Risk Owners are also identified. Each risk is rated according to its severity level depending on the assessment on its likelihood and impact.

Monitoring and Review

The objective of monitoring and reviewing the risk management process and activities is to provide reasonable assurance that risks are being managed effectively by the respective risk owners in the organisation. It is also to ensure that risk profiles reflect the changes to current business conditions and risk exposures. Formal reporting has been established and risks are reported at the departmental, corporate and Board levels (including Operating Companies' Boards), to ensure regular review of the significant risks identified by the businesses during the reporting period.

Risk Reporting

The Group risk profiles are consolidated and reviewed quarterly by the Group Risk and Integrity Management Department. The Quarterly Group Risk Management and Integrity Reports are discussed and deliberated at MMC's Risk Management Committee (RMC) chaired by the Group Managing Director (GMD). The same reports are subsequently tabled in the Finance, Investment and Risk Committee (FIRC) for deliberation and recommendation to the Board on the identified key risks, current controls and the status of mitigation actions. These reports are later submitted to the Board for final review.

At the Operating Companies, their risk reports are deliberated and discussed by their respective risk management committees or management committees. Subsequently these reports are tabled to their respective Audit/Risk Committees and/or Boards.

Risk Reporting Application System

The Group risk profiles are monitored through a risk management solution, namely the Q-Radar ERM System, an online monitoring and database system for risk management. The system enables online real-time updates and monitoring of risk management record profiles for the Group.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The system of internal control is designed to provide reasonable assurance against the occurrence of any event that could prevent the achievement of the Group's goals and objectives. The key components of internal control encompass the following key control processes: -

Establishment of Various Committees

Various Board Committees and Management Committees have been instituted to strengthen governance and ensure accountability and assist the Board in discharging its duties. Among the committees are: -

Board Level

- Audit Committee
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

Management Level

- Management Committee
- Risk Management Committee
- Project Management Committee
- Foreign Exchange Committee

Organizational Structure

The internal control of the Group is supported by a formal organizational structure with clear lines of authority and responsibility. Qualified and experienced management personnel have been appointed to oversee the delivery of the Group objectives by the Operating Companies'.

Limits of Authority

The Limits of Authority ("LOA") identifies the various persons/authorities responsible for different business transactions including matters that require Board approval. It sets out a clear line of accountability and responsibility of the persons/authorities to facilitate decision making and approval at the appropriate levels in the organization's hierarchy.

Business Plan and Budget

The Group requires all Operating Companies to prepare annual business plans and budgets which are recommended by management and challenged and approved by their respective Boards. The business plans and budgets are then consolidated for the holding company's Board deliberation and approval.

Strategy and Budget Challenge

The Group's strategic directions and budgets for the new year are formulated and revised annually, taking into account changes in the internal and external environments and risks faced. The strategic directions and budgets are also reviewed annually during a Strategy and Budget Challenge with the Board and at reasonable intervals during implementation by the management.

Quarterly Performance Reviews

The Group's performance is reviewed and monitored on a quarterly basis against the business plans and budgets approved by the Board. The reviews cover all key financial and operational indicators as well as key strategic initiatives undertaken by the companies during the year.

These are also discussed at the subsidiaries' Board meetings to ensure that their performance targets and objectives are met.

Joint Ventures and Associates

The Group ensures that investments and interests in material joint ventures and/or associates, are protected by having board representation at the respective joint ventures and/or associates. The management of the joint ventures and associates are also responsible to oversee the operation and performance of the joint ventures and/or associates. Relevant financial and operational information of these joint ventures/associates are provided regularly to the holding company.

Group Internal Audit

The Group Internal Audit Department provides independent assurance on the existence, adequacy and effectiveness of the governance, risk management and control processes to achieve the Group's objectives.

Policies and Procedures

Relevant policies and procedures have been approved by the Board and relevant authorities to ensure that the Group's values and adequate control mechanisms are embedded in business operations.

Periodic review is done to ensure their relevance and effectiveness. The policies revised during the year are:

- MMC Code of Ethics
- MMC Whistleblower Policy
- MMC Anti-Bribery and Anti-Corruption Policy and Framework

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Whistle Blowing

A Whistleblower Policy is available and a whistleblowing channel is provided for directors, employees and third parties to disclose improper conducts. The Policy contains the procedures and processes of managing disclosures of improper conducts that is transparent without compromising the confidentiality of persons involved.

Anti-Bribery and Anti-Corruption

The Company's Anti-Bribery and Anti-Corruption Policy and Framework was approved by the Board on 27 August 2019. The policy was reviewed, and revised, and approved by the Board on 25 November 2020. The revised Policy is to fulfil the new requirements as per the amended MACC Act 2009 and its related Guidelines. It provides the Company with a framework to set up the integrity and governance structure. It also allows the Company to establish the necessary measures to prevent corruption and bribery activities and to provide a defence against the corporate liability as stipulated in the MACC Act 2009.

The Policy states the Company's commitment to conduct business ethically and in full compliance with all applicable laws and regulations in every jurisdiction that MMC and/ or its Group of Companies operates. The Policy was communicated to the Operating Companies' level for their adoption.

Business Continuity Management Systems (BCMS)

The objective of the MMC Business Continuity Management (BCM) Policy and Framework is to provide the company with the capability to build resiliency and enable effective response to continue operation and deliver critical services in the event of crisis and business disruption.

The current BCM framework is reviewed periodically to ensure the effectiveness of the Business Continuity Plan (BCP) plan in the MMC Group. Several BCM testing and exercises (T&E) have been conducted at the Head Office and Operating Companies to confirm that the BCM programmes meet the objectives and expectations set in the policy and the organization's BCP is fit for purpose.

As part of the continual improvement process to the system, periodic reviews are conducted on the current BCP, or as and when it is required. The results of T&E and organizational changes are also reflected in the review and revision of the BCP.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control system through the following monitoring and assessment mechanisms:

- Quarterly reviews on the Group's actual financial and operational performance versus planned performance and other key financial and operational performance indicators.
- Specific transactions, projects or opportunities are reviewed by the Management and the Board as and when required. This allows the Board and the Management to oversee and monitor the potential risks that can hinder the achievement of the objectives.
- The Group's Risk Management Report is presented quarterly to the FIRC by the Group Risk and Integrity Management Department to provide an overview of the Group's key risks and their current mitigation status of how the risks are being managed. It also includes a summary report on Business Continuity Management and the Anti-Bribery and Anti-Corruption Implementation Program status update. Subsequently, those reports are presented to the Board. If there are any matters arising from the respective committees it will be communicated to the respective risk owners by the Group Risk and Integrity Management Department (GRIMD).
- The AC deliberates and discusses reports issued by the Group Internal Audit Department and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issues discussed are also updated to the AC for its monitoring of the actions.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS

The risk management and internal control activities described above have been implemented in the Group for the year under review and up to the date of the approval of this statement for inclusion in the annual report.

In making this statement, the Board has received assurance from the GMD, the Group Chief Financial Officer and the Head of Group Risk and Integrity Management that risk management and internal control are operating adequately and effectively in all material aspects for the reporting period.

Group Internal Audit has also provided assurance on the governance, risk management and controls of the entities audited during the year.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For the financial year under review, the Board is of the opinion that the risk management and internal control system are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of MMC.

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty that would require disclosure in this annual report.

This statement has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control Guidance for Directors of Listed Issuers.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. They have reported to the Board under Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

The Statement has been approved by the Board of Directors at its meeting on 23 February 2021.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) provides critical oversight of the Group financial reporting process; monitoring the external and internal auditing processes; compliance with relevant legal and statutory matters and other matters delegated by the Board to the AC through its approved Terms of Reference.

AUDIT COMMITTEE COMPOSITION AND MEETINGS HELD

The AC composition, type of directorship and attendance of meetings held in the financial year ended 31 December 2020 are set out below.

| NO. | NAME | DIRECTORSHIP | NO. OF MEETINGS ATTENDED |
|-----|---------------------------------------|---|--------------------------|
| 1 | Datuk Ooi Teik Huat (Chairman) | Senior Independent Non-Executive Director | 5/5 |
| 2 | Dato’ Abdul Hamid Sh Mohamed (Member) | Independent Non-Executive Director | 5/5 |
| 3 | Dato’ Ir. Jamaludin Osman (Member) | Non-Independent Non-Executive Director | 5/5 |

The composition of the AC is in line with Paragraph 15.09 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), where;

- All AC members are Non-Executive Directors and a majority of them are Independent Non-Executive Directors, including the Chairman
- No alternate director is appointed as a member
- Two (2) members, Datuk Ooi Teik Huat, an MIA member, and Dato’ Abdul Hamid Sh Mohamed fulfil the requirement of paragraph 15.09(1)(c)(i) of the MMLR

Datuk Ooi Teik Huat and Dato’ Abdul Hamid Sh Mohamed have both exceeded the limit of tenure of an Independent Director (cumulative of nine (9) years). Both have sought and obtained approval to remain as Independent Directors from MMC Corporation Berhad’s shareholders at last year’s Annual General Meeting (AGM). Both will be seeking shareholders’ approval to continue as Independent Directors in the AGM to be held on 10 May 2021 applying Guidance 4.2 of the Malaysian Code on Corporate Governance 2017.

The AC meetings are normally attended by the Group Managing Director, Chief Financial Officer, Chief Internal Auditor and upon invitation the External Auditors. Four (4) of the meetings held were planned quarterly meetings while One (1) was a special meeting.

The Company Secretary acts as secretary to the AC. Minutes of each meeting is distributed to each board member. The Chairman of the AC reports key matters discussed at each meeting to the Board.

The Terms of Reference of the AC are contained in the Board Charter which is available on the Company’s website.

SUMMARY OF WORK DONE BY AUDIT COMMITTEE

During the financial year, the AC performed the following:

Financial Reporting & Compliance

- Reviewed the quarterly financial results of the Company and the Group on 24 February, 13 May, 18 August and 24 November 2020 prior to recommending them to the Board for approval. The matters reviewed and discussed were:
 - Financial and operational performance, and financial statements
 - Budget achievement, reasons for the variances and efforts to meet targets
 - Internal and external matters impacting financial and operational performance, and the actions to be taken

AUDIT COMMITTEE REPORT

- Reviewed quarterly announcements prior to recommendation to the Board for approval to ensure that the announcements reflect the situation and are representative of their views
- Held a Special Audit Committee meeting to review the Audited Statutory Financial Statement for the financial year ended 31 December 2019 on 2 April 2020 and its suitability to be recommended to the Board for approval

External Audit

- Reviewed and recommended to the Board the External Auditors' Report on 2019 year-end financial statement on 24 February 2020 covering amongst others, the following:
 - Significant accounting and auditing matters during the year
 - Internal control recommendations
 - Information Technology Audit
 - Summary of uncorrected misstatements
 - Summary of impact of adoption of new MFRS
 - Developments in laws and regulations
 - Key audit matters
- Reviewed and recommended to the Board, the External Auditors' 2020 Audit Plan on 18 August 2020, which detailed the terms of engagement for statutory audit; independence of the external audit team; audit approach; and areas of audit emphasis, risk assessment; reporting timeline as well as development in laws and regulations and financial reporting standards
- Reviewed the External Auditors' fees and recommended it to the Board for approval
- Held two (2) private discussions on 24 February 2020 and 18 August 2020 with the External Auditors without the presence of Management
- Obtained written assurance from the External Auditors that they are independent according to the By-Laws on Professional Independence of the Malaysian Institute of Accountants

Internal Audit

- Reviewed and approved Group Internal Audit Department ("GIA")'s Annual Internal Audit Plan for 2020, to ensure the adequacy of scope and coverage; competency and resources available; and that Internal Audit has the necessary authority to carry out its work
- Reviewed and deliberated on the planned and ad hoc internal audit reports issued and the adequacy of management response and actions to address control deficiencies
- Reviewed quarterly updates on the progress of the Annual Internal Audit Plan 2020, revision to the Plan, the status of corrective actions on whether appropriate actions are taken timely, and results of Customer and Audit Committee Satisfaction Surveys to improve internal audit services
- Reviewed the initiatives carried out by GIA for the Group to promote collaboration, harmonisation, standardisation and improving competencies in internal auditing

Others

- Quarterly review and monitoring of recurrent related party transactions, their aggregate values and the percentage ratio to ascertain whether shareholders' mandate is required
- Reviewed related party transaction relating to the acquisition of equity interest from a related company
- Reviewed the revised Audit Committee Terms of Reference which refined certain AC roles and amongst others, included AC oversight of the Whistleblower System
- Reviewed the Audit Committee Report 2020 for incorporation into the Annual Report 2020 and recommended it to the Board for approval

There was no employee share option scheme for the AC to review and verify.

AUDIT COMMITTEE REPORT

SUMMARY OF WORK DONE BY GROUP INTERNAL AUDIT

Group Internal Audit

- GIA has an independent status in the organisation, with direct reporting to the AC and an administrative reporting to the Group Managing Director (“GMD”)
- GIA’s purpose, objectives, authority and responsibilities are spelt out in the GIA Charter which is endorsed by the AC and approved by Board
- GIA’s mission is to provide independent and objective assurance on governance, risk management and control systems reviewed that will improve and add value to the Company and Group
- The Company is a corporate member of The Institute of Internal Auditors Malaysia
- Updates are obtained on the developments in the internal audit profession and staff are sent for internal audit training to enable them to be competent auditors
- The standards and practices adopted by GIA conform to the International Professional Practices Framework issued by The Institute of Internal Auditors
- GIA has a formalised Competency Framework and a Competency Training and Development Plan
- The Chief Internal Auditor is a Certified Internal Auditor and also has a Certification in Risk Management Assurance from The Institute of Internal Auditors, USA
- There were nine (9) auditors in GIA during the financial year
- The total amount of expenses incurred by GIA during the financial year is RM2.36 million

Assurance Services

- GIA prepared a risk based Annual Internal Audit Plan 2020 (“the Plan”) for the Company and a Consolidated Annual Audit Plan (“the Consolidate Plan”) for the Group. The Plan was reviewed by the AC and approved for implementation whilst the Consolidated Plan was noted by the AC
- Quarterly updates were prepared for the AC detailing the following:
 - Status of the 2020 Plan on the assignments completed, in progress and outstanding
 - Revisions made to the Plan and the rationale for the changes
 - Staff movement and recruitment to enable the AC to assess the adequacy of the competencies, skills and resources to provide adequate assurance on the governance, risk management and controls of the entities audited
 - Results of Customer and Audit Committee Satisfaction Survey for the AC’s information and assessment
 - Whistleblowing cases received and the actions taken
 - Initiatives carried out in GIA and for Group Companies
- A total of 29 planned and ad hoc assignments were presented to the AC covering the areas of control environment, risk management, procurement, project implementation & contract management, maintenance, revenue assurance, human resource management and investigations
- Follow-up audits were also performed to monitor and assess the closure of governance, risk management and control matters reported earlier
- For Group companies, GIA Reports were presented to the respective AC or Board of the Companies, and report summaries were provided to MNCB’s AC
- GIA provided assertions on its conformance with the International Professional Practices Framework (“IPPF”) on Internal Auditing, Definition of Internal Auditing, Code of Ethics of the Company and the Institute of Internal Auditors in its provision of assurance services on governance, risk management and control reviews
- GIA declared to the AC that there was no conflict of interest in the performance of internal audit activities during the financial year
- GIA continues with the Quality Assurance and Improvement Program and performed a survey on Ethics & Culture in the organisation
- GIA reviewed the Whistleblowing Policy and updated the document to refine and provide clear guidance on whistleblowing processes

AUDIT COMMITTEE REPORT

Group Support Services

- Continued with collaborative audits in the Group to enable sharing of best practices on selected audits
- Continued facilitation of Cybersecurity Risk Assessment to assist companies in the Group to identify, assess and draw up mitigation measures, as well as plan for future audits by the in-house and outsourced service provider
- Provided guidance to unlisted subsidiaries to review and update their Audit Committee Terms of Reference
- Provided guidance to subsidiaries on the provision of assertions relating to compliance with the IPFF, Standards for the Professional Practice of Internal Auditing and Code of Ethics by the Internal Audit function
- Provided oversight/guidance/assistance to internal audit functions on audit planning, report review and draft Annual Internal Audit Plan for 2021
- Held Internal Audit Roundtable meetings with Heads of Internal Audit and staff within the Group to promote knowledge sharing and improvement in internal audit services
- Invited external subject matter experts to present on topics relevant to internal auditors' development and knowledge each quarter during Quarterly Internal Audit Roundtable meetings
- Initiated Quality Assurance Review and Quality Assurance Improvement Program within the Group
- Guided the formalisation and implementation of Competency Framework for internal audit functions in the Group
- Provided guidance to Internal Audit Departments in the Group to update their Company's Whistleblowing Policy

The report has been approved by the Board of Directors at its meeting on 23 February 2021.

FINANCE, INVESTMENT AND RISK COMMITTEE REPORT

The Finance, Investment and Risk Committee (“FIRC”) was established on 30 August 2013 to assist the Board in carrying out its duties and responsibilities. The Board, through the FIRC, is responsible to oversee the effectiveness and adequacy of the Group’s risk management framework and its implementation throughout the Group; and other matters delegated by the Board to the FIRC through its approved Terms of Reference.

COMPOSITION AND MEETINGS

The FIRC comprises three (3) Independent Non-Executive Directors. Collectively, the FIRC members have diverse expertise, skills and experience. The FIRC is also committed to pursuing gender, age and ethnic diversity as a combination of personalities provides a range of perspectives resulting in an improved quality of decision making.

The Group Managing Director, Group Chief Financial Officer, Chief Internal Auditor and Head of Group Risk and Integrity Management Department attended the FIRC meetings as invitees. Other attendees, internal employees or external parties are invited to present matters required by the FIRC.

Details of FIRC members and their attendance record at FIRC meetings held during the Financial Year ended 31 December 2020 are as follows:

| FIRC Member | Number of FIRC Meetings | |
|---|-------------------------|-----|
| | Attendance | % |
| YBhg Dato’ Abdul Hamid bin Sh Mohamed <i>Chairman</i> Independent Non-Executive Director | 7/7 | 100 |
| YBhg Datuk Ooi Teik Huat <i>Member</i> Senior Independent Non-Executive Director | 7/7 | 100 |
| YBhg Dato’ Siti Halimah binti Ismail <i>Member</i> Independent Non-Executive Director | 7/7 | 100 |

MAIN ACTIVITIES OF THE FIRC IN 2020

The FIRC principal activities in the year under review are summarised below:

- Reviewed, monitored, and recommended to the Board on the financial plan, operational and capital expenditures, annual budgets as well as the financial performance of MMC Group.

- Deliberated the Group Strategic Risks and the corresponding key operational risks as well as key controls implemented to manage the risks each quarter.
- Reviewed the Group Enterprise Risk Management Reports and risk incidents which have occurred and deliberated the adequacy and effectiveness of mitigation actions taken. Additional mitigations to strengthen the management of existing and emerging risks were recommended for implementation.
- Reviewed and monitored the Group Safety performance and recommended action(s) to be taken to improve the safety performance.
- Reviewed the risk profiles and mitigation plans for projects with recommendations for further action to ensure that the projects meet the objectives.
- Reviewed the viability and risks of new potential investments.
- Reviewed the Group’s tax position and effectiveness of tax management.
- Reviewed the implementation and effectiveness of the Business Continuity Management program to ensure that an adequate and effective mechanism is in place to increase the Company’s preparedness in responding to crisis or disasters.
- Reviewed the Statement of Risk Management and Internal Control to be incorporated in the Annual Report which summarises the risk management practices, and internal controls implemented by Management.
- Reviewed the Group Sustainability Statement and the effectiveness of related programs and subsequently recommended to the Board for approval.
- Reviewed the revised MMC Anti-Bribery and Anti-Corruption Policy and Framework and subsequently recommended it to the Board for approval.
- Reviewed the Anti-Bribery and Anti-Corruption Implementation Program and recommended improvements to adequately address bribery and corruption risks.

CONCLUSION

The FIRC continues to diligently exercise its risk oversight responsibilities. This is to ensure that risk management is an integral part of the decision-making process to achieve the Group’s strategic and long-term objectives.

ADDITIONAL COMPLIANCE INFORMATION

1) MEETING ATTENDANCE RECORD FOR THE FINANCIAL YEAR 2020

| NO. | NAME | BOARD | AUDIT COMMITTEE | NOMINATION AND REMUNERATION COMMITTEE | FINANCE, INVESTMENT AND RISK COMMITTEE |
|-----|--|-------|-----------------|---------------------------------------|--|
| 1. | Datuk Seri Tajuddin Atan (Appointed on 1 September 2020) | 3/3 | - | 1/1 | - |
| 2. | Dato' Sri Che Khalib Mohamad Noh | 7/7 | - | - | - |
| 3. | Datuk Ooi Teik Huat | 7/7 | 5/5 | 4/4 | 7/7 |
| 4. | Dato' Abdul Hamid Sh Mohamed | 7/7 | 5/5 | - | 7/7 |
| 5. | Dato' Siti Halimah Ismail | 7/7 | - | - | 7/7 |
| 6. | Syed Naqiz Shahabuddin Syed Abdul Jabbar | 7/7 | - | 4/4 | - |
| 7. | Dato' Ir. Jamaludin Osman | 7/7 | 5/5 | - | - |
| 8. | Sharifah Sofia Syed Mokhtar Shah | 7/7 | - | - | - |
| 9. | Tan Sri Dato' Seri Shamsul Azhar Abbas (Resigned on 31 August 2020) | 4/4 | - | 3/3 | - |
| 10. | Tee Beng Thong (Resigned on 1 July 2020) | 3/3 | - | 2/2 | - |

2) UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised from corporate proposals.

3) STATUTORY AUDIT, AUDIT-RELATED AND NON-AUDIT FEES

The details of the statutory audit, audit-related and non-audit fees paid/payable to Messrs. PricewaterhouseCoopers PLT (PwC) for services rendered to the Company and the Group for the financial year ended 31 December 2020, are as follows:

| | GROUP RM '000 | COMPANY RM '000 |
|---------------------------------|------------------|--------------------|
| Statutory Audit Fees | 1,556 | 355 |
| Audit Related Fees ¹ | 158 | 112 |
| Non-Audit Fees ² | - | - |

¹ Fees incurred in relation to the performance of quarterly reviews

² Fees incurred primarily in relation to advisory services

4) MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

During the financial year, there was no material contract entered into by the Company and its subsidiaries involving the interest of the Directors and Major Shareholders.

5) CONTRACTS RELATING TO LOAN

There was no contract relating to loans by the Company involving Directors and Major Shareholders for the financial year ended 31 December 2020.

SUSTAINABILITY REPORT

ABOUT THIS SUSTAINABILITY REPORT

The MMC Sustainability Report ("Report") provides a review of the Group's sustainability performance as well as how MMC Corporation Berhad ("MMC" or "the Group") drives the practice of sustainability in its day-to-day operations for the financial year ending 31 December 2020 ("FY2020").

Beyond improving Environmental, Social and Governance ("ESG") performance across its operations, MMC's approach to sustainability also includes developing a sustainability-oriented organisational culture as well as cascading sustainability across its value chain to suppliers and its business partners.

Sustainability is vital in ensuring continued value creation for the Group, notably in the realisation of non-financial values pertaining to organisational and brand reputation, stakeholder relationships, social and environmental impacts as well as ensuring a meaningful contribution to the Group's adopted United Nations Sustainability Development Goals ("UNSDGs").

The Group is looking to further integrate non-financial matters into its business strategies going forward, given the former's increasing significance to the Group's overall business performance and value creation capabilities in the long term.

REPORTING SCOPE AND BOUNDARIES

This Report covers the full financial year of 1 January to 31 December 2020. It was prepared in accordance to the Bursa Malaysia Sustainability Reporting Guide (Second Edition) and the Bursa FTSE4Good Index requirements and guidelines. The scope and boundary for data, results and information contained herein covers the Group's operating companies under its Ports and Logistics, Energy and Utilities - Aliran Ihsan Resources Berhad ("AIR Berhad"), Engineering Industrial Development business divisions and Senai Airport Terminal Services Sdn Bhd ("Senai International Airport").

Excluded in the Report are environmental and social data pertaining to Malakoff Corporation Berhad ("Malakoff") and Gas Malaysia Berhad ("Gas Malaysia"). Both entities are public listed companies whose sustainability related data are published in their respective sustainability reports.

APPROACH TO MATERIALITY

A matter is deemed material to the Group if it causes impact (or potential impact) based on the following perspectives:

- Extent of environmental and social impact caused
- Extent of impact on the Group's value creation ability (financial and non-financial values)
- Extent of financial impact

Similar to risk disclosures, the Group also applies the principles of severity and likelihood of impact when deciding on its material topics. Please refer to the Materiality section of this Report for more information.

REPORT QUALITY AND DATA SOURCES

MMC has endeavoured to provide a complete view of the organisation's sustainability performance. Data contained within this Report was sourced internally, and has been verified accordingly by the respective business units or information owners.

LIMITATIONS

The Group is aware that data gathering challenges still exist for certain disclosures. This could be due to the absence of data or the ability to collect accurate or meaningful data. We continue to enhance our data collection and analysis processes towards improving data accuracy and quality as well as to strengthen disclosures going forward.

1. SUSTAINABILITY GOVERNANCE

Governance of sustainability is driven from the top by MMC's Board of Directors ("the Board"), which is supported by the Senior Management of the Group. The oversight of sustainability comes under the purview of MMC's Finance, Investment and Risk Committee ("FIRC").

The FIRC is a formal Board Committee, comprising selected members of the Board. Matters pertaining to sustainability are brought and discussed in the FIRC meeting for deliberation and approval. In attendance by invitation are the Group Managing Director, Group Chief Financial Officer, Chief Internal Auditor and Head of Group Risk and Integrity Management Department.

FIRC's Terms of Reference has been updated to incorporate matters related to integrity. These include a comprehensive review of the effectiveness and adequacy of MMC's Anti-Bribery and Anti-Corruption ("ABAC") Policy and Framework which was formalised on 27 August 2019, and rolled out and adopted at all levels of the company business and operations.

The Group Risk and Integrity Management Department ("GRIMD") has been assigned as the custodian of the MMC ABAC Policy. GRIMD takes reasonable and proportionate measures to ensure the implementation of the MMC ABAC Policy and Framework throughout the Group.

SUSTAINABILITY REPORT

1.1. UPHOLDING GOOD MARKETPLACE AND CORPORATE GOVERNANCE PRACTICES

Beyond the formal governance structure, MMC's corporate values set the tone and organisational culture for accountability, transparency and integrity as well as good corporate governance practices and responsible marketplace practices within the Group.

Our core values – INTEC (Integrity, Innovation, Teamwork, Excellence and Commitment) are emphasised in the Group's internal policies, framework, practices and guidelines. These approved policies comprise the MMC ABAC Policy and Framework, Group Procurement Policy and MMC Competition Compliance Policy.

Other supporting policies implemented are the Board Policy Manual, Whistleblowing Policy, Code of Ethics, Corporate Disclosure Policies and Procedures, Related Party Transaction Policies and Procedures as well as FIRC's Terms of Reference.

Relevant policies and procedures have been reviewed and approved by the Board to accommodate changes on related Acts e.g. Malaysian Anti-Corruption Commission ("MACC") Act 2009 on Section 17A ("S17A MACC Act 2009"): Corporate Liability and Company Act 2016 to further strengthen the integrity framework on how we conduct our business and to set out the processes to manage the overall system and its implementation.

The aforementioned policies are published in the MMC corporate website under the Corporate Governance section. Any report related to bribery and corruption practices in the company can be lodged via the MMC whistleblowing channel at mmcwbreport@gmail.com.

1.2. UPHOLDING ANTI-CORRUPTION

S17A MACC Act 2009, which came into effect on 1 June 2020, mandated that all businesses in Malaysia must take necessary steps to prevent bribery and corruption practices in their organisations.

Therefore, MMC has undertaken these following actions in FY2020:

- Revised MMC ABAC Policy and Framework was approved by the Board on 25 November 2020. The revised Policy is to fulfil the new requirements as per the amended MACC Act 2009 and its related Guidelines. It provides the Group with a framework to set up the integrity and governance

structure. It also allows the Group to establish the necessary measures to prevent corruption and bribery activities and to provide a defence against the corporate liability as stipulated in the MACC Act 2009

- Revised MMC's Code of Ethics was approved by the Board on 25 August 2020. The revised code provides more clarity on what is expected from employees in terms of good business conduct and the stipulated expectation to employees on how they should maintain the highest degree of integrity, exercise proper care and judgement, avoid conflict of interest situations and refrain from misappropriation of any kind
- Organised organisation-wide corruption awareness talks for employees by inviting the experts from MACC
- Conducted anti-bribery and anti-corruption training programmes for all employees
- Established Integrity and Governance function which undertakes the following functions:
 - Complaints Management
 - Detection and Verification
 - Integrity Enhancement
 - Governance

In FY2020, no whistleblowing reports related to corruption were received.

1.3. TAKING THE CORRUPTION-FREE PLEDGE

In FY2020, 100% of MMC employees have signed the corruption-free pledge, better known as *Ikrar Bebas Rasuah* ("IBR"). Taking the pledge reflects MMC's and its people's commitment in ensuring zero corruption practices at the workplace. The same mindset is also being extended and advocated to MMC's vendors, suppliers and other relevant stakeholders.



SUSTAINABILITY REPORT

Beyond the pledge, MMC continued to undertake a wide range of corporate integrity and anti-corruption programmes and initiatives. Periodically, GRIMD conducted a series of training sessions and workshops on Corruption Risk Management throughout the Group.

The objectives of these engagements were to identify, analyse, assess and prioritise the corruption risks that can possibly occur in the organisation. This risk assessment was used to identify the causes and controls of appropriate processes, people and system, which were approved by the top-level management to mitigate the corruption incidents or events that MMC may be exposed to during its business dealings and day-to-day operations.

Other initiatives include a collaboration with the Community Education Division of MACC to provide anti-corruption training on the subjects related to S17A MACC Act 2009. This collaborative effort was effective in ensuring MMC's employees fully comply with the policy and meet the expectations set by the Group for all business dealings and activities.

A total of 89 employees from MMC Corporation Berhad participated in e-learning trainings designed to equip their understanding in complying with the requirements of the MACC Act 2009 on Section 17A: Corporate Liability. This will also enhance their knowledge to prevent any corrupt/bribery acts and practices from occurring in the organisation.

1.4. ENSURING FREE AND FAIR COMPETITION

MMC continuously ensures suppliers and contractors are competitive in bidding for tenders and/or projects and that all processes are transparent. This is to eliminate any form of monopoly and price fixing. Without competition, risks relating to or arising from market uncertainties or poor management may result in impairment in values or lower the anticipated returns on investment.

In FY2020, MMC was not fined for anti-competitive behaviour.

2. STAKEHOLDER ENGAGEMENT

MMC constantly engages with its stakeholders in soliciting a wide range of inputs, perspectives and other types of feedback towards guiding its sustainability journey. Stakeholder engagement ensures that the Group is inclusive in its approach and this remains on track towards ensuring value creation for both the Group and its stakeholders.

Through a wide range of communication channels, the Group remains in constant engagement with stakeholders. Where required, stakeholders' concerns, aspirations and interests are incorporated into the Group's business model and its strategies. In particular, stakeholders' views are constantly sought towards determining the Group's materiality topics.

Stakeholders are defined as individuals, entities or groups that can impact or potentially impact MMC, are impacted or may be impacted by MMC's business policies, strategies and activities. Kindly refer to the Stakeholder Engagement section on page 22 in this Annual Report for further information.

3. MATERIALITY

As a conglomerate, MMC's business operations are diverse, spanning a wide range of industries. This leads to a large number of material topics arising. In addition, the individual business divisions may have differing material topics from each other.

Hence, for the purpose of this Report, the definition of materiality refers to the topics that are most significant at Group level based on the following:

- Extent of ESG impact of a material topic
- Extent of impact on stakeholders
- Extent of impact on MMC's Value Creation approach (for more information on value creation please refer to the Strategy section on page 40 of this Annual Report)

SUSTAINABILITY REPORT

The Group's approach to materiality has led to the prioritisation of the Board-approved topics given below. Material boundaries and the Group's involvement in these topics range from internal or external, while impact caused by the Group could be direct or indirect depending on the material topic. In FY2020, MMC's material topics were linked to adopted UNSDGs.

We will continue to assess our material topics and update our list regularly in tandem with changes in the external environment that lead to a significant change in the operational context of the Group.

MATERIAL MATTERS



| PILLAR | RELATED TOPICS | MATERIALITY MATTERS | LINK TO SDGs |
|----------------------|--|---|--------------|
| ECONOMIC | <ul style="list-style-type: none"> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation | <ul style="list-style-type: none"> Economic and Business Performance Nation Building Policy and Regulations Privacy and Rights Quality and Satisfaction Supporting Local Suppliers Anti-Competition Sustainable Procurement | |
| ENVIRONMENTAL | <ul style="list-style-type: none"> Ensure availability and sustainable management of water and sanitation for all Ensure sustainable consumption and production patterns Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, halt and reverse land degradation and halt biodiversity loss | <ul style="list-style-type: none"> Natural Resources/Environmental Impact Climate Change | |
| SOCIAL | <ul style="list-style-type: none"> Ensure inclusive and equitable education and promote lifelong learning opportunities for all Achieve gender equality and empower all women and girls Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | <ul style="list-style-type: none"> Human and Social Capital Health and Safety Engaging Communities Stakeholder Engagement Eliminate Bribery Diversity and Equal Opportunity Preventing Discrimination | |

SUSTAINABILITY REPORT

4. ECONOMIC PILLAR

4.1. ECONOMIC AND BUSINESS PERFORMANCE

In the pursuit of infrastructure development and the realisation of its vision and mission, MMC has delivered significant direct and indirect economic value as of previous years.

Our Ports and Logistics businesses drive import and export trade, which is vital to Malaysia's economy as a trading nation. The Energy and Utilities Division provides fundamental resources such as electricity, gas and water, all of which are essential for nation building and socio-economic development.

MMC's contribution to nation building since its inception more than a century ago has been tremendous. The Group's game-changing infrastructure development projects such as the Klang Valley Mass Rapid Transit ("KVMRT") Putrajaya Line, the Sungai Pulai Bridge and the Langat Sewerage Project are just some examples of how MMC continues to make a significantly positive impact on Malaysia's nation building agenda.

MMC has also been awarded by PETRONAS the Engineering, Procurement, Construction and Commissioning of the Peninsular Gas Utilisation ("PGU-I") Gas Pipeline Replacement Project ("GRAPHITE Project"). This project comprises the construction of the NPS 36 pipeline and associated works for the total length of 33 kilometres from the Kertih gas processing plant to Bukit Anak Dara Kijal in Kemaman, Terengganu.

MMC's generated indirect economic value from its tax contribution to the Government, emoluments to its employees, repayments to financiers including stakeholders and expenditure on local procurement. Specific details of our economic performance, including direct economic value created, business risks and opportunities, finance performance and other pertinent details are provided in the Management Discussion and Analysis ("MD&A") section on page 40 of this Annual Report.

4.2. SUPPORTING LOCAL SUPPLIERS AND CULTIVATING SUSTAINABLE PROCUREMENT

As a conglomerate with a large and diversified nationwide presence, MMC continues to play a vital role in the development of local industries and local supply chains. Given that MMC's business operations tend to hold a key position in its respective value chain(s), the Group invariably creates a strong, positive multiplier effect that spurs continued socio-economic development.

Our operations, both locally and abroad have led to economic activity, development of local talent and industries, large-scale local employment comprising knowledge workers and skilled labour, and transfer of technology towards enabling Malaysian companies to scale up the value chain. This includes local Small and Medium Enterprises ("SMEs"). Local is defined as in where we operate.

In ensuring an efficient, highly qualified and capable value chain, MMC relies on its Group Procurement Policy. The policy provides a framework upon which MMC is able to meritoriously award contracts and select competent suppliers and vendors based on the principle of equal opportunity and competitiveness. In addition, the Group Procurement Policy sets the process that ensures the MMC procurement cycle remains transparent, fair and prevents corruption or unethical behaviour.

4.2.1. KVMRT UNDERGROUND WORKS PACKAGE FOR PUTRAJAYA LINE

| YEAR | | 2018 | | 2019 | | 2020 | |
|-------|-----------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
| Type | Amount Category | Total Contracts Awarded | Contract Amount (RM 'million) | Total Contracts Awarded | Contract Amount (RM 'million) | Total Contracts Awarded | Contract Amount (RM 'million) |
| A | Above RM10 million | 70 | 6,883 | 80 | 7,354 | 118 | 7,758 |
| B | RM5 million to RM10 million | 182 | 551 | 237 | 616 | 262 | 661 |
| C | Less than RM5 million | 413 | 367 | 620 | 621 | 701 | 549 |
| TOTAL | | 665 | 7,801 | 937 | 8,591 | 1,081 | 8,968 |

SUSTAINABILITY REPORT

4.2.2. LANGAT SEWERAGE PROJECT: WORKS PACKAGE AWARDED TO SMEs

| YEAR | | 2018 | | 2019 | | 2020 | |
|--------------|-----------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
| Type | Amount Category | Total Contracts Awarded | Contract Amount (RM 'million) | Total Contracts Awarded | Contract Amount (RM 'million) | Total Contracts Awarded | Contract Amount (RM 'million) |
| A | Above RM10 million | 11 | 1,237 | 11 | 1,237 | 11 | 1,237 |
| B | RM5 million to RM10 million | 8 | 64 | 8 | 64 | 8 | 64 |
| C | Less than RM5 million | 37 | 25 | 56 | 36 | 66 | 39 |
| TOTAL | | 56 | 1,326 | 75 | 1,337 | 85 | 1,340 |

4.2.3. GRAPHITE PROJECT

| YEAR | | 2020 | |
|--------------|-----------------------------|-------------------------|-------------------------------|
| Type | Amount Category | Total Contracts Awarded | Contract Amount (RM 'million) |
| A | Above RM10 million | - | - |
| B | RM5 million to RM10 million | 3 | 21.2 |
| C | Less than RM5 million | 43 | 31.7 |
| TOTAL | | 46 | 52.9 |

4.3. SUSTAINABLE INDUSTRIAL DEVELOPMENT

| PROJECT | DESCRIPTION | INDIRECT ECONOMIC BENEFITS GENERATED |
|------------------------------------|--|--|
| Senai Airport City ("SAC") | Since its inception, the integrated industrial development has been conceived as a sustainable industrial development ecosystem with ready platform, infrastructure and essential utilities. | <ul style="list-style-type: none"> As of December 2020, the continued development of the 2,718-acre SAC has now reached a total project investment of approximately RM472 million by MMC |
| Tanjung Bin Industrial Park | Tanjung Bin Industrial Park is a 2,255-acre development catering to medium and heavy industries. | <ul style="list-style-type: none"> To date, MMC has invested approximately RM455 million into the project for earthworks and infrastructure development |
| Northern Technocity | <p>Northern Technocity is a 354-acre integrated freehold development that offers a comprehensive ecosystem for light and medium industrial players.</p> <p>The project is located in the heart of the matured Kulim Hi-Tech Park industrial cluster in Kulim, Kedah with a ready platform, infrastructure and essential utilities.</p> | <ul style="list-style-type: none"> The project provides a conducive location for local businesses to set up their operations, thereby meeting local industrial needs and encouraging local entrepreneurship |

SUSTAINABILITY REPORT

| PROJECT | DESCRIPTION | INDIRECT ECONOMIC BENEFITS GENERATED |
|--------------------------------|--|--|
| Sungai Pulai Bridge | The Sungai Pulai Bridge Project involves the construction of a 7.5-kilometre bridge across Sungai Pulai that will link the district of Gelang Patah to Tanjung Bin in the Johor state. | <ul style="list-style-type: none"> Improves connectivity between Pontian district and Johor Bahru. Shortens distance and travel time between both locations from approximately 60 minutes to 15 minutes Improves business prospects and drives socio-economic and infrastructure development of the surrounding areas Supports the growth of the Tanjung Piai tourism industry As of December 2020, a total of RM405 million has been invested into the bridge development with 50.39% of project works completed |
| Langat Sewerage Project | <p>The Langat Sewerage Project is a concerted effort to mitigate water supply disruptions caused by pollution in water source attributed to industrial discharge and poorly treated effluent from existing sewage treatment plants ("STPs") in the areas of Cheras and Kajang.</p> <p>Upon completion, the plant will accommodate sewage inflow of 207,000m³/day or 920,000 population equivalent ("PE") covering a total 77.6 square kilometres catchment area starting from Cheras Batu 11 to Kajang.</p> | <ul style="list-style-type: none"> Provides a viable, long-term solution for the cleaning up of key rivers in the Klang Valley Sets the test case for future river clean-up projects Helps address the issue of flash floods in several affected areas Encourages the use of green, sustainable technology by setting the test case for the construction of future STPs in Malaysia. The Langat Sewerage Project also includes a 200kW rooftop solar farm Houses the following sports and recreational facilities above the plant: <ul style="list-style-type: none"> One community hall (size: 200 pax at any one time), two futsal courts, 16 badminton courts, two <i>sepak takraw</i> courts, two basketball courts, a recreational park area and a playground area |

SUNGAI PULAI BRIDGE PROJECT

PROJECT BENEFITS

- To enhance network connectivity between the districts of Pontian and Johor Bahru
- To shorten the distance and travel time between the districts of Pontian and Johor Bahru
- To improve socio-economic developments of the surrounding areas
- To enhance the Tanjung Piai tourism industry



7.5 kilometres
Total Length of Road and Bridge



Navigation Clearance
100 metres Horizontal | **25 metres** Vertical



24 metres
Road Width



Approved By
Jabatan Kerja Raya
Jabatan Pengairan & Saliran
Jabatan Alam Sekitar
Jabatan Hutan
Jabatan Laut



2-Lane
Carriageways



90km/h
Design Speed



Project Timeline
2017-2022

SUSTAINABILITY REPORT

PROJECT UPDATES



Overall view of temporary bridge crossing at Sungai Pulai



Completed column and cross heads at Tanjung Pelepas area



Illustration of the bridge. Targeted to be completed in second quarter 2022

GREEN TECHNOLOGY INITIATIVES

Langat Centralised Sewage Treatment Plant ("CSTP") uses Green Technology which is renewable and constant. It consists of Biogas Generation, Solar Photovoltaic ("PV") System, Effluent Water Reuse and Rainwater Harvesting.



Effluent Water Reuse

The effluent water reuse system produces approximately 2,546 m³/day, which will be used for equipment washing and polymer preparation.



Rainwater Harvesting

Rainwater harvesting with effective collection of 10m³ per week will be used for toilet flushing at the administrative building.



Solar PV System

The 635 units of solar PV panel will generate approximately 200kW of electricity, which will be used for lighting purposes.



Biogas Generation

Biogas recycling will generate 1.2MW of electricity and will be used for the aeration blowers.

LANGAT CENTRALISED SEWAGE TREATMENT PLANT ("CSTP")



An aerial view of the Langat Centralised Sewerage Treatment Plant located in Kajang, Selangor

5. ENVIRONMENTAL PILLAR

The Group persistently strives to improve its environmental systems, procedures and practices including adopting industry best practices towards reducing and managing identified and potential environmental impact of its day-to-day operations.

5.1. WASTE MANAGEMENT

MMC Ports

The Group's port operations results on waste produced are as per below :

| SPENT LUBRICANT OIL (TONNES) | 2018 | 2019 | 2020 |
|---|------|------|-------|
| Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") | 99.4 | 80.4 | 113.8 |
| Johor Port Berhad ("Johor Port") | N/A | 30.0 | 63.0 |
| Northport (Malaysia) Bhd ("Northport") | 67.3 | 50.3 | 79.2 |
| Penang Port Sdn Bhd ("Penang Port") | 17.0 | 11.0 | 22.0 |

| EMPTY DRUM (TONNES) | 2018 | 2019 | 2020 |
|---------------------|-------|-------|------|
| PTP | 11.00 | 10.00 | 5.6 |
| Johor Port | N/A | 1.20 | 0.9 |
| Northport | 1.80 | 0.70 | 5.3 |
| Penang Port | 2.60 | 0.20 | 2.2 |

SUSTAINABILITY REPORT

Engineering Division

Disclosure on waste produced by the Group's Engineering Division is scoped to several of its key infrastructure projects which generate the bulk of the waste produced. The major types of waste produced are domestic, construction, sewage and scheduled waste.

Waste produced by the Group steadily declined as the projects advanced towards their completion. The decline was also due to the continual improvement made in waste management processes and procedures. Similarly, both construction and scheduled waste have decreased for FY2020.

The management approach for waste has been centred on the 5R concept of Refuse, Reduce, Reuse, Recycle and Recovery, which has been effective in reducing waste generated year-on-year. This is especially evident at the Langat Sewerage Project.

The table below continues to show a downward trend in waste produced in tandem with the increased level of project works completed in FY2020. At this point of time, domestic waste from the Langat Sewerage Project consists mainly of waste from the site office and the workers' camp.

| TYPE OF WASTE (TONNES) | 2018 | 2019 | 2020 |
|--|-------|-------|-------|
| Domestic Waste | 43.44 | 19.04 | 6.74 |
| Construction Waste | 175.5 | 103.5 | 45 |
| Scheduled Waste Generation – Spent Lubricant Oil | 5.0 | 2.7 | 0.5 |
| Scheduled Waste Generation – Empty Drums | 0.4 | 0.216 | 0.016 |

Transportation Of Waste

Only licensed transporters are appointed and all waste are sent to the designated municipal approved landfills.

5.2. ENERGY CONSUMPTION

Our disclosure on energy consumption is scoped to our Ports and Logistics operations which comprises the largest component of Group operations. Also included are energy consumption disclosures for Senai Airport Terminal Services Sdn Bhd ("Senai International Airport"). As we continue to reduce energy consumption within our operations, we also encourage our supply chain and stakeholders to reduce their energy consumption. Excluded are energy consumption for the Group's Energy and Utilities Division as data for both are provided in their respective sustainability reports.

5.2.1. Energy Consumption – MMC Ports

Ports typically have a high energy consumption profile due to the significant usage of electricity and diesel in terminal operations. Consequently, the consumption of both electricity and diesel translate into higher carbon emissions.

Electricity is mainly consumed by reefer blocks, high mast lights, building infrastructures, quay cranes and Electrified Rubber Tyred Gantry ("E-RTG") cranes. Diesel is utilised to operate prime movers, tugboats, conventional engine Rubber Tyred Gantry ("RTG") cranes, pilot boats, pickups and forklifts.

SUSTAINABILITY REPORT

5.2.2. Diesel Consumption (Million Litre) for Ports, Including Pilot and Tugboat Usage

Some key initiatives such as the new hybrid RTG replacement initiative, as evident at Penang Port, are contributing to increasing energy efficiency while reducing diesel consumption (60,000 litres of diesel reduction per RTG per year).

| COMPANY \ YEAR | 2018 | 2019 | 2020 |
|--|------|------|------|
| PTP | 18.9 | 19.2 | 20.5 |
| Johor Port | 8.8 | 9.5 | 10.3 |
| Northport | 16.9 | 16.4 | 16.5 |
| Penang Port | 8.5 | 9.0 | 6.5 |
| Kontena Nasional Berhad ("Kontena Nasional") | 4.0 | 2.8 | 3.1 |

As per Government regulations, all of MMC's ports have started using B7 biodiesel. Some of the advantages of using B7 with regards to the environment are:



5.2.2.1. Electricity Consumption Usage (kWh)

| COMPANY \ YEAR | 2018 | 2019 | 2020 |
|--------------------|-------|-------|-------|
| PTP | 117.9 | 118.7 | 133.8 |
| Johor Port | 13.2 | 17.2 | 17.2 |
| Northport | 36.0 | 48.0 | 43.0 |
| Penang Port | 22.9 | 21.7 | 20.0 |
| Tanjung Bruas Port | N/A | 0.2 | 0.1 |
| Kontena Nasional | 2.2 | 1.8 | 1.9 |

The electricity consumed by each port is proportionate to the volume handled with a slight reduction over the years, as some of the equipment have been upgraded with drive technology (for RTGs). The replacement of conventional lighting with LED variants have further reduced overall energy consumption.

As at 31 December 2020, most of the Group's ports are in the process of installing solar panels on rooftop spaces to further reduce consumption of electricity from the power grid. This process will continue into FY2021.

Specific initiatives by MMC's individual ports to become more energy efficient are as follows:

| PORTS | INITIATIVES |
|-------|--|
| PTP | <ul style="list-style-type: none"> Usage of E-RTG for the current fleet. This has reduced carbon emissions. Ten new units were incorporated in 2020 Establishment of a working baseline emission carbon dioxide data for determining improvement or targets for reduction going forward Expansion and modernisation of the sewerage treatment plant, which has doubled its capacity |

SUSTAINABILITY REPORT

| PORTS | INITIATIVES |
|-------------------------|--|
| Johor Port | <ul style="list-style-type: none"> For prime movers, the focus has been on improving the fuel efficiency of the vehicles. Engines older than five years and prime movers exceeding 10 years old have been replaced with newer, more energy efficient models RTGs shutdown initiatives i.e. minimise deployment of RTGs in certain shifts Solar power implementation in progress Replacement of streets lights, using LED to improve energy efficiency |
| Northport | <ul style="list-style-type: none"> Implemented Sustainability Energy Management System to manage Northport's energy consumption via clear energy conservation goals and policy, trained workforce and responsible energy usage by employees Continuation of replacement of High-Pressure Sodium Vapour lightings to LED for three units of quay crane's trolley floodlight in 2020 Solar power implementation in progress Implementation of Integrated Port Reception Facility ("PRF") on 1 February 2020. The PRF is a one-stop centre for waste collection from berthing vessels and the port area. PRF is equipped with the latest technology for wastewater treatment, tracking system, recycle and recovery, sampling, waste disposal, storage, tank cleaning, etc. |
| Penang Port | <ul style="list-style-type: none"> 100% usage of LED lights for the three high mast lights at North Butterworth Container Terminal, Butterworth Wharves and Prai Wharf Solar power implementation in progress Replacement of conventional RTGs with four new hybrid RTGs in 2020, which can save up to 60,000 litres of diesel for each RTG per year Initiation of project for replacement of HPSV lightings to LED for seven units of quay crane's floodlights in 2020 |
| Kontena Nasional | <ul style="list-style-type: none"> Replacement of damaged transparent roof in warehouses phase by phase to promote natural lighting Light switch zoning was implemented to promote optimal utilisation of office space |

5.2.3. Energy Consumption: AIR Berhad Municipal Water

AIR Berhad currently operates two water treatment plants ("WTPs") in Perak, providing potable water to consumers residing in Gunong Semanggol and Taiping. The municipal WTPs are capable of producing 165 million litres per day ("MLD") of clean and safe potable water, benefitting close to 300,000 residents in this region.

To ensure the treated water is safe for consumption, the operations and maintenance of the plants are designed to comply with the National Drinking Water Quality Standards set by the Ministry of Health Malaysia. AIR Berhad, as the appointed water operator, is dedicated to complying with the water standards by undertaking comprehensive water monitoring through regular samplings and water testing.

AIR Berhad consistently keeps abreast with the challenges brought on by the rapid development and increasing urbanisation in the Kinta Valley. Hence, AIR Berhad constantly upgrades and enhances the operation team's competency and skills to ensure sustainable water supply and safe water quality for our consumers via regular trainings as mandated by the Government.

In early 2020, AIR Berhad had implemented a pump replacement exercise in the Gunong Semanggol WTP, replacing the ageing pumps that have been operating for more than 36 years.

SUSTAINABILITY REPORT

In this replacement exercise, AIR Berhad replaced 18 units of pumps of various capacities and types to ensure the longevity of the WTP to operate efficiently at optimum level and design capacity. The replacement of the pumps is also aimed to reduce energy consumption which will contribute significantly in reducing the carbon footprint. Following the pump replacement exercise, the efficiency ratio of electricity consumption per cubic metre of water produced has reduced as tabulated below:

| ELECTRICITY CONSUMPTION | 2018 | 2019 | 2020 |
|--|------------|------------|------------|
| Electricity (kW/year) | 18,475,392 | 22,371,967 | 22,515,175 |
| Production Volume (m ³ /year) | 47,604,879 | 58,488,159 | 59,661,288 |
| Efficiency Ratio (kW/m ³) | 0.388 | 0.384 | 0.377 |

Apart from municipal water services, AIR Berhad also constructed several mini WTPs with a total capacity of 9.1 MLD. By utilising advanced membrane technology, AIR Berhad is able to supply treated water while utilising a smaller footprint as compared to conventional systems. The potable water supply is for residential and commercial users in Sunway City, Selangor and Pulau Besar, Melaka.

AIR Berhad responded to the Government's encouragement and effort in reducing the non-revenue water ("NRW") of the country. AIR Berhad actively engages with the private sector to educate stakeholders on the importance of NRW and offer services to minimise NRW losses, and to educate our clients on the importance of effective water usage. AIR Berhad also remains focused on providing consultation services for water control measures to achieve water conservation and optimisation in operational activities via pipe flushing and scouring, reservoir cleaning, pipe integrity testing and active leakage control.

5.2.4. Energy Consumption: Senai International Airport

Senai International Airport continues to reduce energy consumption and carbon emissions through its Energy Management Programme ("EMP"). The EMP drives further improvement in energy performance through enhanced monitoring, better policy and procedures as well as new initiatives for sustained energy and cost savings over the long term. Beyond the EMP, energy saving efforts have also been cascaded to the airport's tenants and its value chain towards ensuring a more tangible impact.

In FY2020, there was a significant 40% drop in energy consumption. However, a substantial portion of the reduction is attributed to the impact of Coronavirus Disease 2019 ("COVID-19"), which resulted in less air travel and hence, less airport activity and energy consumption. It must be noted however, that while total electricity consumption reduced by 40%, electricity consumption per passenger increased by 134.5% year-on-year. This is due to the needs of the terminal to continue operating at a 65% minimum operating capacity. This, when compared to a 74% decline in passenger volume for FY2020, has led to a disproportionate electricity consumption per passenger ratio.

| ELECTRICITY MEASURE | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|
| Total Electricity Consumption (million kWh) | 10.1 | 10.8 | 6.5 |
| Total passengers (International and Domestic) | 3,522,576 | 4,270,576 | 1,096,517 |
| Electricity Usage Per Passenger (kWh/pax) | 2.9 | 2.5 | 5.9 |
| Increase/decrease in Electricity per passenger (%) | -9.5 | -11.9 | 134.5 |

SUSTAINABILITY REPORT

5.2.5. Energy Saving Measures Implemented at Senai International Airport

| | |
|--|---|
| Energy Saving Lights | 70% of the indoor conventional light bulbs have been replaced with LED variants with the target to have 100% indoor LED lighting by 2021. The initiative will be extended to outdoor street lighting and high masts, with the outdoor portion of the replacement slated for completion by 2022. |
| Variable Refrigerant Volume ("VRV") | The VRV air conditioner system installed at the Senai Business Aviation Terminal utilises the environmentally friendly R410A refrigerant. The system relies on a precise individual control and inverter technology, which minimises energy consumption to deliver optimum energy savings. |
| Switch-off Timer | 17 Air Handling Units ("AHU") located throughout the airport have been fitted with switch-off timers to control energy consumption in the terminals, especially in controlling air conditioning and lighting during operational hours. |
| Energy Monitoring Programme | Monitoring the electrical power factor adds to the efficiency of electrical equipment. Essentially, EMP reduces demand charges and power system losses while increasing load-carrying capabilities in existing circuits and thus carbon footprint. |
| Energy Saving Awareness | Employees and the airport community are encouraged to adopt energy saving behaviours. A series of awareness programmes and signages are placed at strategic locations as reminders to switch off the lights and air conditioners when not in use. |

5.3. WATER CONSUMPTION

Water consumption data and disclosures are scoped to MMC's Ports and Logistics, Engineering and Industrial Development Divisions, Senai International Airport as well as its Corporate Offices.

| WATER CONSUMPTION | 2018 | 2019 | 2020 |
|--|------------------|------------------|------------------|
| Ports and Logistics | 5,046,475 | 4,510,361 | 4,224,983 |
| Engineering (Projects) | 88,992 | 42,522 | 37,230 |
| Industrial Development | 16,813 | 24,565 | 14,058 |
| Other Business (Senai International Airport) | 231,714 | 280,146 | 240,725 |
| Corporate Office (Wisma Budiman and Wisma Zelan) | 8,214 | 7,936 | 7,530 |
| Total (m³) | 5,392,208 | 4,865,530 | 4,524,526 |

The downtrend of water consumption from the Ports and Logistics Division was mainly attributed to the ongoing NRW programme to reduce and rationalise NRW loss at all ports.

AIR Berhad has been at the forefront of the aforementioned programme – working towards reducing water losses at all five ports by addressing water leakages and issues of faulty meters, non-metered water usage and also undertaking replacement of faulty valves and mapping of water pipes.

Another factor that contributed to the reduction of water consumption is less water used for cleaning of equipment as well as less freshwater supplied to vessels berthed at ports, notably for the months of April to June 2020. This is largely attributed to the effects of the COVID-19 pandemic, which led to a temporary reduction in throughput at all ports and overall port activities, which subsequently resulted in less demand for water.

For the Engineering Division, the reduction in total water consumption was due to the completion of the Langat 2 Water Treatment Plant Project and the nearing of completion for the Langat Sewerage Project. As for the Industrial Development Division, there was a slight reduction in water consumption due to less construction works at the Sungai Pulai Bridge Project due to the restrictions because of the COVID-19 pandemic.

SUSTAINABILITY REPORT

At MMC's Corporate Office (Wisma Budiman), a new piping system was installed in 2019 to address leaky pipes and as part of the overall approach to make the building more water efficient.

5.4 WASTEWATER RECYCLING: AIR BERHAD

AIR Berhad has strengthened its presence in wastewater recycling for its industrial customers. AIR Berhad has signed new partnerships that will draw on its expertise to develop new recovery processes which will improve the yield extraction of recycled water.

AIR Berhad has also applied the circular economy concept to the management of water resources, offering its customers solutions for recycling wastewater to produce processed water while limiting or even eliminating industrial discharge.

In FY2020, AIR Berhad managed to recycle a total of 8.8 MLD of wastewater in various parts of Peninsular Malaysia. The recycled water is channelled back to the clients' factory for their production use. AIR Berhad is expecting an increase of recycled water capacities by another 11.2 MLD by end of 2021, making it a total of up to 20 MLD contributed by three additional wastewater recycling treatment plants which are currently under construction.

AIR Berhad's business objective is to provide access to essential environmental services for its clients. AIR Berhad supplies high quality water, suited to every type of use, while preserving this common goal. Faced with demographic growth, climate change, social and geographical inequalities, people are increasingly exposed to the consequences of the environmental degradation. AIR Berhad is in the unique position to assist its clients to navigate these challenges.

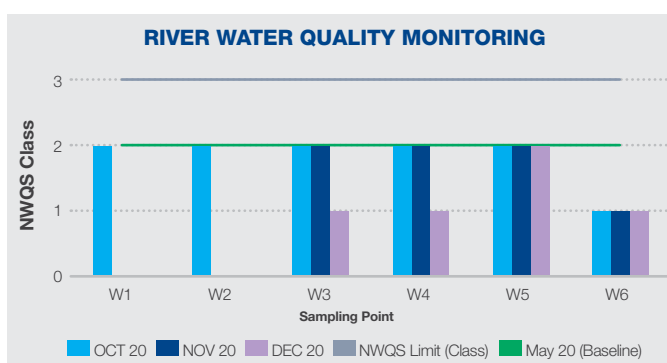
Aside from water and energy consumption as well as waste, MMC monitors its environmental performance based on the following aspects: water and air quality, and noise levels.

| CATEGORY | LOCATIONS MONITORED | COMPLIANCE STANDARD/ AUTHORITY | INDICATORS/ASPECTS MONITORED |
|---------------|--|---|--|
| Water Quality | GRAPHITE Project, Sungai Pulai Bridge Project, Senai Airport City, Tanjung Bin Industrial Park | Class II of Interim National Water Quality Standard ("INWQS"), Class III of National Water Quality Standard ("NWQS"), Department of Environment | pH levels, Biochemical Oxygen Demand ("BOD"), Chemical Oxygen Demand ("COD"), Total Suspended Solid ("TSS"), Oil and Grease ("O&G"), turbidity and Faecal Coliform |
| Air Quality | Senai Airport City | New Malaysia Ambient Air Quality Standard | PM ¹⁰ , PM ^{2.5} |
| Noise Level | All construction sites, Senai Airport City | LA _{eq} , L ₁₀ and L _{max} | Decibel levels |

5.4.1. Water Quality: GRAPHITE Project

The overall results showed compliance with all Department of Environment ("DOE") parameters comprising pH, BOD, COD, TSS, O&G, Turbidity and Faecal Coliform. Only dissolved oxygen ("DO") levels slightly exceeded the limit.

River water samples taken at 3 locations throughout October – December 2020 period complied with Class III limits of National Water Quality Standards ("NWQS") for Malaysia by the DOE. No water sample was taken at WQ1 & WQ2 from November – December 2020 as the site was not accessible due to monsoon season.

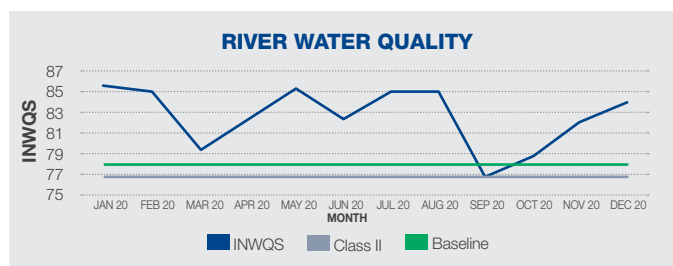


SUSTAINABILITY REPORT

5.4.2. Water Quality: Sungai Pulai Bridge Project

The quality of river water complies with Class II of INWQS as per regulated by the DOE.

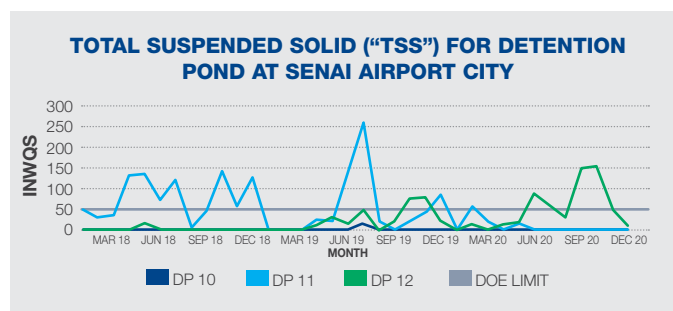
The graph on the right shows that the river water quality of Sungai Pulai has been improving compared to the baseline water quality.



5.4.3. Water Quality: Senai Airport City (Detention Ponds)

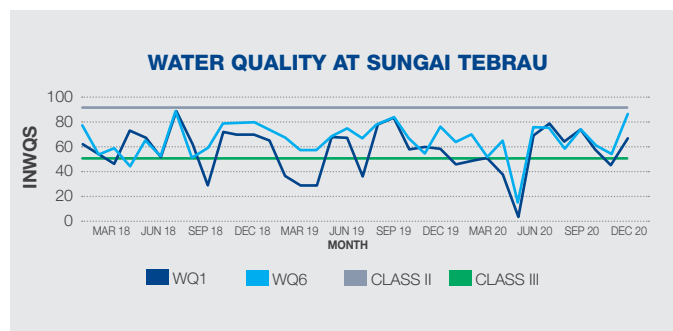
Three detention ponds ("DPs") were built to control the amount of water from the development prior to being discharged into the nearby Sungai Tebrau. This is to ensure that the amount of water discharged does not exceed the amount of water prior to the development.

The graph on the right shows the results of TSS from 2018 until December 2020. Results for DP 11 were higher in TSS in 2018 and 2019 as the construction of a permanent DP 11 only commenced in February 2020. The TSS results for DP 12 shows a decline in reading towards the end of year 2020 due to precipitation rate during sampling. With the ongoing construction of DP 11 and the upgrading of DP 12, TSS readings are expected to remain within the DOE's permissible limit of 50mg/L going forward. Other DPs are within the DOE's limits.



5.4.4. Water Quality: Sungai Tebrau (Senai Airport City)

Water quality for Sungai Tebrau was monitored at the upstream (WQ1) prior to entering the Senai Airport City boundary site, and downstream (WQ6) after the last discharge point of Senai Airport City (DP 12). However, the downstream location includes the Kampung Tawakal catchment area. Hence, downstream results comprise a mixture of discharges from Senai Airport City as well as from Kampung Tawakal and other nearby areas.



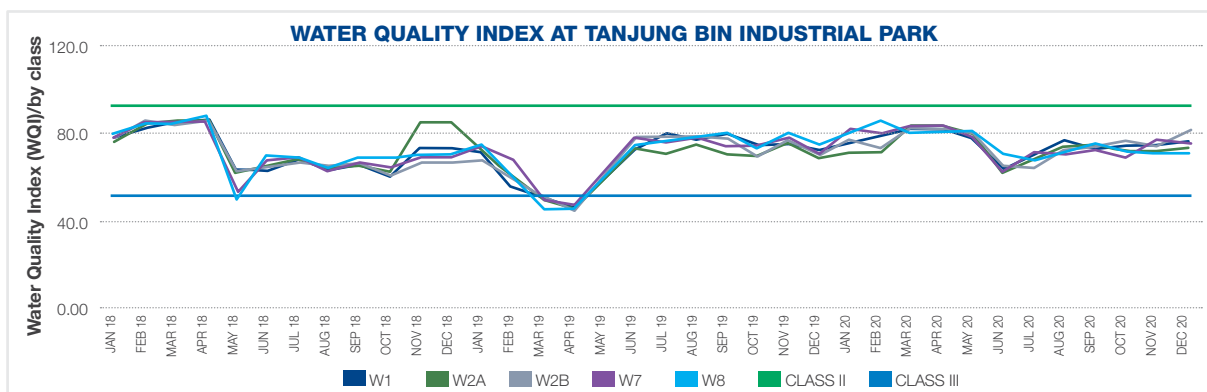
The river water quality monitoring serves as a reference to ensure that the Senai Airport City development does not influence the existing river quality. The graph above shows the results recorded from 2018 until December 2020. The Water Quality Index graph shows that the water index is within the Class II and Class III limits.

The quality of the water discharged from Senai Airport City DPs is within the DOE's permissible limit. The drop in water quality index results may be influenced by other external sources. External sources include discharges from industrial and residential areas located along Sungai Tebrau.

SUSTAINABILITY REPORT

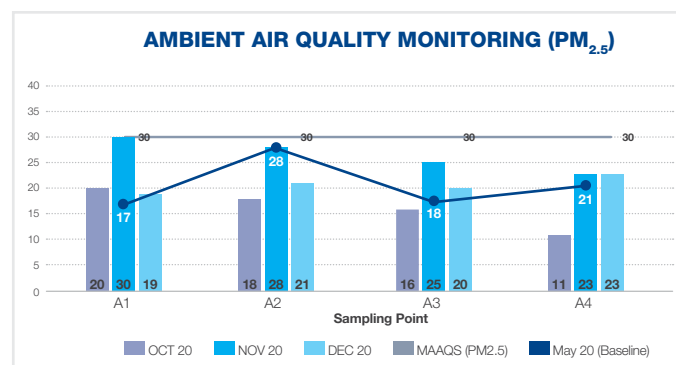
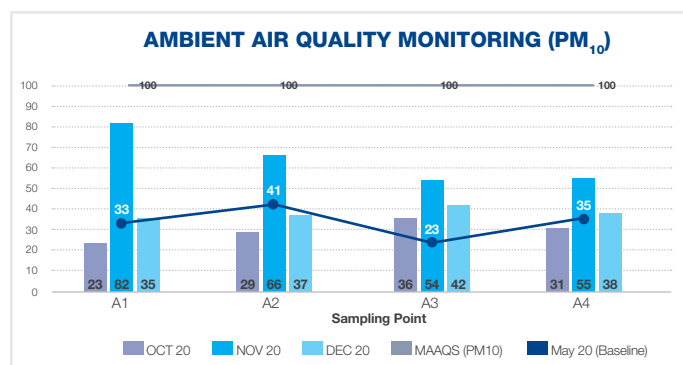
5.4.5. Water Quality: Tanjung Bin Industrial Park

The monitoring programme warranted by the DOE is for water quality due to the discharge from the active Centralised Effluent Treatment System. The monthly results for water quality from 2018 to December 2020 indicate that the water quality index is within Class II and Class III limits which is in line with the original baseline established prior to Tanjung Bin's development.



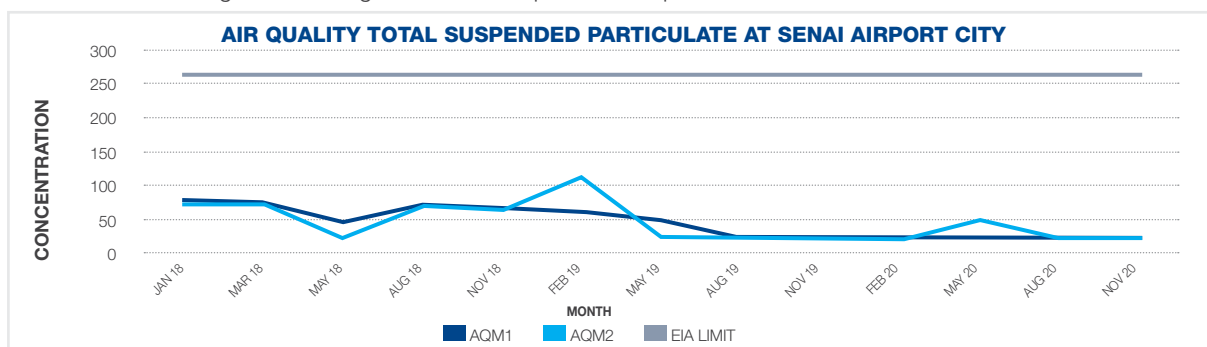
5.4.6. Air Quality: GRAPHITE Project

For ambient air quality monitoring, two key parameters – PM_{10} and $PM_{2.5}$ – were sampled. Based on baseline monitoring, the samples taken at four monitored locations showed compliance with all parameters monitored at all locations.



5.4.7. Air Quality Monitoring: Senai Airport City

The readings recorded were well below the New Malaysia Ambient Air Quality Standard for Total Suspended Particulate ("TSP") at 260 microgrammes per cubic metre of air (" $\mu g/m^3$ "). The readings recorded at this project ranged from 21 $\mu g/m^3$ to 112 $\mu g/m^3$. The control measures implemented for air quality control include provision of wheel wash facility, access road watering and covering the earth stockpiles with tarpaulin.

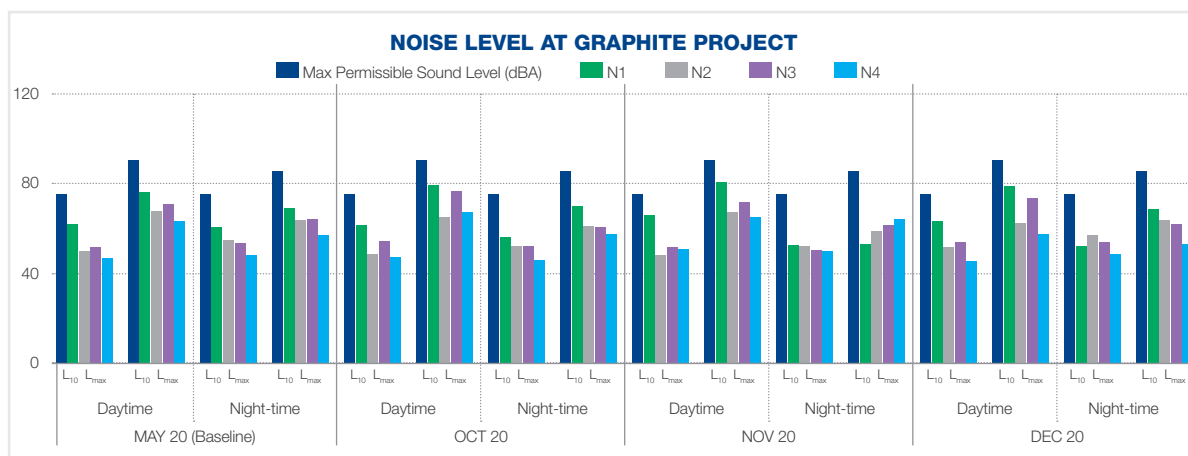


The results for Air Quality Monitoring ("AQM") conducted from 2018 to November 2020 show that air quality levels are within the Malaysian Ambient Quality Guidelines.

SUSTAINABILITY REPORT

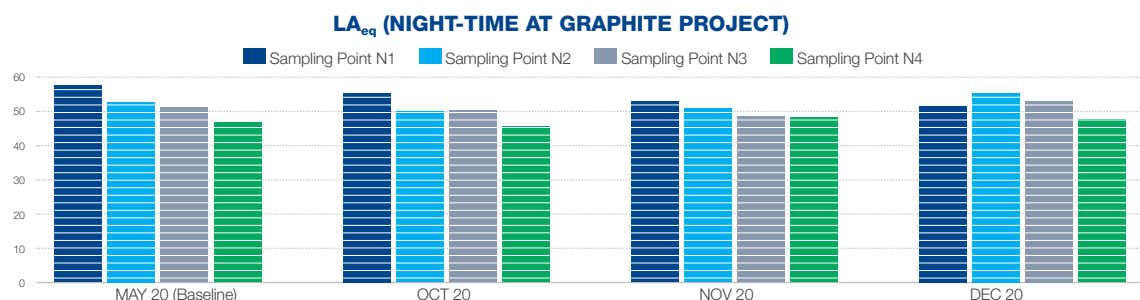
5.4.8. Noise Levels: Graphite Project

For noise level measurement, noise were sampled at the identified sampling stations to provide 24-hour noise monitoring. Key parameters such as LA_{eq} , L_{10} and L_{max} were recorded during baseline sampling. Based on baseline monitoring, all readings at the four monitored locations registered levels that were well within the limits set by the DOE.



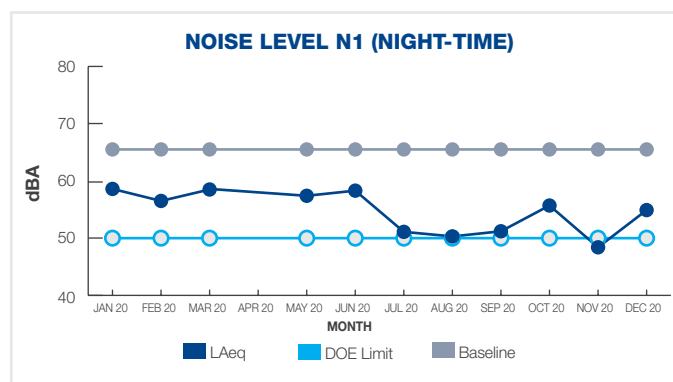
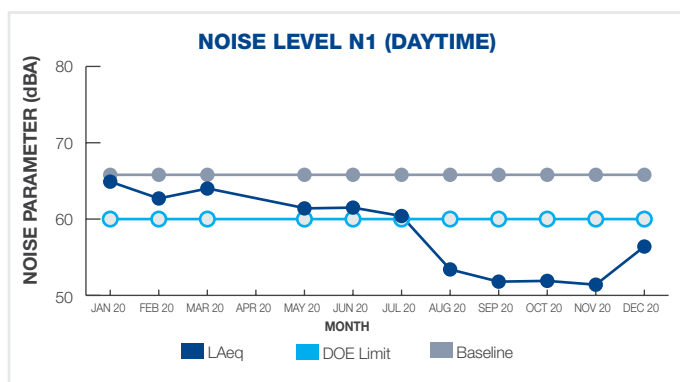
*Notes:

1. Daytime refers to 7am to 7pm
2. Night-time refers to 10pm to 7am



5.4.9. Noise Level Monitoring: Sungai Pulai Bridge Project

Daytime noise level monitored for 2020 shows an improvement compared to baseline data of 65dBA taken in January 2018. Similarly, the noise levels for night-time monitored for the same period also improved compared to the baseline data. The Group will continue to take all measures to improve the level of noise generated from its project sites.

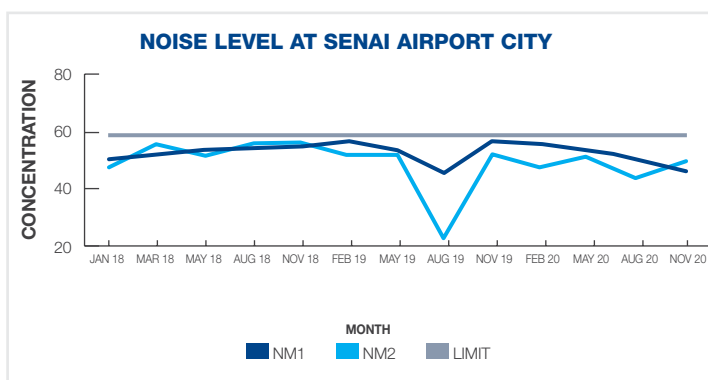


The above graphs show the noise levels were above the limit stipulated in the Environmental Impact Assessment ("EIA") Approval Conditions for both daytime and night time. However, it should be noted that the noise levels did not exceed the baseline noise levels recorded and complied with Scheduled 3, Guidelines of Noise Limit and Control 2019 by the DOE.

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5.4.10. Noise Level Monitoring: Senai Airport City

The result for noise level monitoring recorded from 2018 to December 2020 shows that the noise levels at Senai Airport City did not exceed the limit set by the DOE and remains in compliance with The Planning Guidelines for Environmental Noise Limits and Control.



5.5. COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Third-party environmental audits are performed annually to ensure the Langat Sewerage Project, Sungai Pulai Bridge Project, Senai Airport City and Tanjung Bin Industrial Park comply with environmental laws and regulations. Based on the environmental audit report carried out, there were no incidents of non-compliance in FY2020.

6. SOCIAL PILLAR

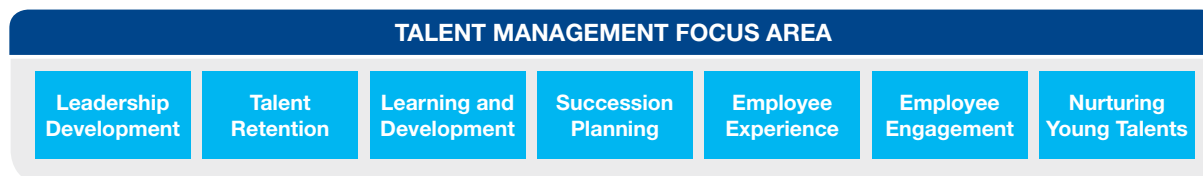
MMC's social topics are scoped to the Group's workforce across its business divisions and operating companies. Beyond demographic data such as new hires and attrition rates, the disclosures include information on employees' wellbeing, talent development, occupational health and safety and other social topics deemed material to the Group. MMC's social topics also cover other stakeholders beyond our employees. These include customers from the perspective of health and safety.

6.1. HUMAN AND SOCIAL CAPITAL

The collective skills, expertise, experience and knowledge of MMC's workforce remain a key competitive advantage for the Group. The Board and Senior Management continues to place importance on providing a productive and conducive work environment towards supporting and improving talent retention and employee satisfaction.

The Group's Human Resources Department has been at the forefront of driving an employee-oriented organisational culture and talent development agenda. For FY2020, the focus was mainly on strengthening and maintaining employees' engagement, experience and motivation. The aforementioned approach was also aimed at helping employees cope with the new normal scenario as the world faces the COVID-19 pandemic.

The following were MMC's talent management key focus areas in FY2020:



SUSTAINABILITY REPORT

6.2. TALENT RETENTION

Despite the impact of COVID-19, all business divisions have seen an expansion in workforce as disclosed in the table below. MMC has displayed responsibility for its employees and despite the significant disruption to business activities, has continued to retain its employees.

| DIVISION/YEAR | 2018 | 2019 | 2020 |
|-----------------------------------|---------------|---------------|---------------|
| Ports and Logistics | 9,382 | 9,596 | 9,767 |
| Energy and Utilities | 1,607 | 4,413 | 4,560 |
| Engineering | 787 | 705 | 719 |
| Industrial Development and Others | 479 | 507 | 448 |
| Total Workforce | 12,255 | 15,221 | 15,494 |

6.2.1. Talent Attrition

The Group's attrition rate remains lower than the national average, with FY2020 seeing just 2.75%.

| ATTRITION RATE | 2018 | 2019 | 2020 |
|----------------|-------|-------|-------|
| National | 11.8% | 11.0% | 8.2% |
| MMC | 7.24% | 6.39% | 2.75% |

National attrition data source: Department of Statistics Malaysia

6.3. COMPENSATION AND BENEFITS

MMC maintains a salary structure that is aligned to the organisation's pay philosophy and is competitive against the general market. This is to ensure that the Group is able to compete in the market for talented employees and to retain its existing talents.

The entry-level wage complies with the Malaysia's Minimum Wage Order 2019. MMC continues to participate in the annual salary survey by Hay Group and undertakes a salary benchmarking exercise for identification of salary structure related issues and deployment of the right remuneration strategy. MMC's reward strategy encompasses total compensation of fixed and variable pay, benefits and development.

6.4. DIVERSITY AND EQUAL OPPORTUNITY

Towards fostering an inclusive work environment, the Group continues to focus on a work culture that emphasises the following desired values or attributes: inclusive leadership and accountability, equality and fairness of opportunity, and openness and freedom from bias and discrimination.

| AGE DISTRIBUTION | 2018 | 2019 | 2020 |
|--------------------|------|------|------|
| 50 years and above | 12% | 11% | 13% |
| 30 to 49 years | 59% | 58% | 58% |
| Below 30 years | 29% | 31% | 29% |

| WORKFORCE BY GENDER | 2018 | 2019 | 2020 |
|---------------------|--------|--------|--------|
| Male | 10,542 | 13,071 | 13,386 |
| Female | 1,713 | 2,150 | 2,108 |
| Women in Management | 18% | 20% | 21% |

SUSTAINABILITY REPORT

| WORKFORCE DIVERSITY | 2018 | 2019 | 2020 |
|---------------------|--------|--------|--------|
| Malay | 11,223 | 13,641 | 13,944 |
| Bumiputera | 456 | 527 | 540 |
| Chinese | 170 | 161 | 144 |
| Indian | 367 | 848 | 829 |
| Other Races | 18 | 25 | 19 |
| Foreign Nationals | 21 | 19 | 18 |

6.5. PREVENTING DISCRIMINATION

Employee hiring is conducted through a fair and transparent process strictly based on the candidate's merit and suitability for the job. MMC does not discriminate against age, nationality, religion, gender, culture, social status, disabilities, etc.

Developments, promotions and rewards for our employees are based on merit. We are also determined to maintain a safe and harassment-free workplace through awareness and education on the Code of Ethics and Whistleblowing Policy during induction and learning programmes. In FY2020, there were no discrimination cases reported.

Employment of minors is strictly prohibited as per regulations under the Children and Young Persons (Employment) Act 1966 Malaysia. All third parties who conduct the hiring process for and on behalf of the Group are also expected to uphold similar adherence to the regulations.

6.6. PERFORMANCE MANAGEMENT

The performance management system ("PMS") is viewed as one of the business processes to steer the continued cultivation of a performance driven culture in MMC. In FY2020, significant improvements were made to the PMS and cascaded across the Group.

The improvements included streamlining of the shared corporate key performance indicators ("KPI"), departmental KPI and individual/job role specific KPI, distribution of KPI weightage, introduction of a refined set of core competencies with levelling as well as the new rating definition.

| EMPLOYEE ENGAGEMENT SURVEY | 2018 | 2019 | 2020 |
|--|------|------|------|
| Outcome on PMS with favourable rating by employees (i.e. Rating 4 and 5) | 53% | 56% | 63% |

**The rating is based on a 5-point scale with 4 and 5 being favourable*

6.7. MMC'S APPROACH TO TALENT MANAGEMENT - FY2020 PRIORITIES

6.7.1. Learning and Development

We continued to provide employees with learning and development opportunities through the Group's online learning platform throughout the varying phases of the Movement Control Order ("MCO"). In line with encouraging social distancing, most learning/training sessions were conducted online. In FY2020, 316 online courses were held in comparison to only 167 online courses in year 2019. Sessions that required physical presence were severely limited in FY2020 and were conducted with strict observance of social distancing protocols.

| KEY INDICATOR | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|
| Total Investment on Training and Development (RM' million) | 12.4 | 11.6 | 8.5 |
| Learning Days Per Employee (Average) | 3.0 | 2.0 | 2.0 |
| Total Learning Hours Achieved | 283,599 | 212,719 | 180,811 |

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6.7.2. Nurturing Young Talent

Despite the challenging scenario faced in FY2020 brought on by COVID-19 and other factors, MMC has continued to focus on nurturing young talents towards developing its talent pipeline. Following are some of the programmes conducted in FY2020 that were specially tailored to young talents.

i. PTP Engineer Apprentice Programme

A structured apprenticeship programme with port equipment technical training to meet Port Industry requirements and to prepare them with essential leadership skills for the business.



A total of 12 fresh graduates were recruited for the apprentice programme pilot batch

ii. Aspiring Executives Development Programme

A structured development programme that aims to accelerate the development of 13 MMC Scholars to be highly competent with the right mindset and behaviour as well as the right leadership qualities to manage the future workforce.

iii. Tea Talk Session with the Group Managing Director

An engagement session that provides an avenue for interaction and discussion between the scholars and the Group Managing Director.

6.7.3. EMPLOYEE ENGAGEMENT

i. 90-Minute Session

The programme is organised to heighten employee engagement and positive experience, where it provides an opportunity for employees from the operating companies to interact and engage with the Senior Management from the Group. It is also organised to serve as a knowledge sharing platform.

ii. Employee Engagement Survey

The employee engagement survey ("EES") was conducted to achieve the following objectives:

- To understand attitudes concerning workplace conditions that drive engagement
- To identify opportunities to improve workplace engagement
- To uncover insights for highly targeted engagement strategies

| EES INDEX | 2018 | 2019 | 2020 |
|-----------|------|------|------|
| National | 63% | 67% | 70% |
| MMC Group | 71% | 71% | 74% |

iii. Dialogue Session

This session provides the opportunity for high-performing employees to learn and widen their perspectives on leadership and business acumen through engagement with team members from the Senior Management team. The dialogue sessions are also an avenue that enables active communication and discussion on issues or ideas.

| DIALOGUE SESSION | 2018 | 2019 | 2020 |
|--------------------|------|------|------|
| Total Sessions | 3 | 4 | 8 |
| Total Participants | 29 | 46 | 173 |

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6.8. SUCCESSION PLANNING

The Group's Succession Planning Framework has shown good progress in the overall implementation and impactful results throughout its implementation. Results point to an increase in the percentage of succession planning coverage for *Mission Critical Position ("MCP") and **Succession Planning Position ("SPP") throughout the Group. The succession planning coverage of Ready Now or in 1-2 years ("R1") also showed a 4% increase from 39% in FY2019 to 43% in FY2020.

Our succession planning framework encompasses aspects of motivation, experience and engagement of our talents and as a result, loss of talent continues to drop year-on-year: 2018 (0.04%), 2019 (0.03%) and 2020 (0.01%).

| MISSION CRITICAL POSITION VS SUCCESSION PLANNING POSITION | 2018 | 2019 | 2020 |
|---|------|------|------|
| MCP | 61 | 88 | 191 |
| SPP | 71 | 85 | 95 |

*MCP – all C-Suite positions within the Group

**SPP – all n-1 positions within the Group

Succession Planning Highlights for FY2020

| | 2018 | 2019 | 2020 |
|---|------|------|------|
| Number of eligible employees assessed to qualify as potential talents | 192 | 105 | 440 |
| Number of employees who passed the assessment as potential talents | 177 | 98 | 238 |
| Number of potential talents deliberated and categorised as HIPO | 148 | 81 | 199 |

| | 2019 | 2020 |
|---|------|------|
| Number of operating companies that conducted the Talent Council | 5 | 14 |

| | 2019 | 2020 |
|------------------------------|------|------|
| Mission Critical Position | 29 | 33 |
| Succession Planning Position | 14 | 93 |

ASSESSMENT

To identify high performers that exhibit potential leadership qualities

DELIBERATION

To further assess, discuss and affirm that the Potential Talents have the potential, capability and aspiration to be the organisation's High Potentials ("HIPO") to succeed leadership positions

SUCCESSION

When there is an opportunity for a HIPO to succeed either the MCP or SPP, succession can happen when the organisation feels the gap of the HIPO's current knowledge, skills and capabilities are closed or significantly minimised

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7. OCCUPATIONAL SAFETY AND HEALTH

Occupational Safety and Health (“OSH”) is of great importance to MMC given the various industries in which the Group operates in. Industries such as ports and logistics, energy and utilities, engineering and industrial development require a high level of MMC’s focus and commitment to ensure compliance with OSH regulations and standards for smooth operations.

Any negligence or violation of OSH can lead to not just disruption to productivity, but also significant negative impacts to the stakeholders, notably the loss of confidence in terms of safety and livelihood of our employees, contractors and customers. Loss of human lives is irreplaceable and cannot be quantified.

Sustaining and complying with high OSH standards and performance is crucial in ensuring that the Group’s business divisions can continue to operate efficiently and to ensure that business activities can sustain and continuously operate with less or no disruptions.

As such, MMC remains committed in controlling and managing as much as possible to prevent or minimise any risk of occupational injury and illness to personnel as well as to all relevant parties. The Group shall remain in compliance with all industry regulations and standards, and possibly aim to exceed the benchmarks set by providing safe, secure and healthy working conditions and environment for employees, contractors, business partners and where relevant, visitors and the community at large.

In FY2020, MMC continued to drive OSH across the organisation based on the following:

- Achieved ZERO non-compliance incidents of Occupational Safety & Health Act (“OSHA”) 1994, Environmental Quality Act 1974 and other related regulations
- Achieved minimal Lost Time Incident (“LTI”), property damage and environmental hazard for job-related incidents
- Ensured that effective implementation and continual improvements are being well executed for Health, Safety and Environment (“HSE”) Management System (ISO 9001, ISO 14001 and ISO 45001)
- Embedded a strong HSE culture among all employees, contractors and business partners

7.1. HSE PERFORMANCE

For LTI performance, the Group has posted an increase of cases compared to previous years. The result shown is a consolidation of monthly HSE data by the operating companies from 2018 to 2020.

| LTI | 2018 | 2019 | 2020 |
|--------------------|-------|-------|-------|
| Fatalities | 2 | 4 | 2 |
| Injuries | 50 | 69 | 83 |
| Total LTI Cases | 52 | 73 | 85 |
| ALTIF | 0.599 | 0.815 | 0.996 |
| Manhours (million) | 86.81 | 89.53 | 85.33 |

Note: The LTI table above excludes Malakoff, Alam Flora Sdn Bhd (“Alam Flora”) and Gas Malaysia, whose OSH data are provided in their respective Sustainability Reports of Annual Report FY2020.

7.2. ROUTINE HSE ACTIVITIES

In FY2020, MMC continued to implement routine HSE activities throughout the Group as follows:

- Regular safety talks and toolbox briefings at selected operational sites
- Weekly and monthly HSE Joint Management workplace inspections and walkabout among the operating units
- Published weekly and monthly “Safety and Health” bulletin and newsletter publications, including the COVID-19 pandemic news and advisory
- Mid-year Group Health, Safety, Security and Environment (“HSSE”) meeting to discuss the overall Group’s HSE performance, improvement strategies and HSE lessons learnt among the practitioners
- Monthly Safety Council meetings at the operating units
- Regular training sessions on HSE competency and awareness among employees and contractors at operating units
- Continuous safety awareness and briefings for all port users (employees, tenants, contractors, external hauliers, etc.), construction workers (employees and contractors) and all parties involved in other sectors within the Group

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- Continuous HSE engagement sessions with relevant internal and external parties
- Emergency preparedness trainings and exercises for Emergency Response Teams (“ERT”), including basic first aid, emergency evacuation, firefighting and more

7.3. OPERATING COMPANIES’ KEY INITIATIVES IN 2020

Below are several key HSE initiatives implemented by MMC Group as follows:

| | |
|------------------------------------|--|
| PTP | <ul style="list-style-type: none"> • Initiated the “Safety Maturity Scorecard” programme as part of “5-Year Journey of PTP Safety Transformation Plan”. This is based on the APMT Global HSSE Strategy and adopted into PTP’s Way of Working Operating System (“WoW OS”). The objective is to assess organisational performance and capability in maintaining and enhancing safety management status. • Initiated “Digital Transformation Plan” to automate work systems such as application for Permit to Work (“PTW”), Incident Management and Dangerous Goods Management. The objective is to improve the efficiency of current business processes and customer experiences to meet the changing business and market requirements in leveraging on the fast changing information technology. • Implemented Phase 1 of the “Port Safety Passport” programme in collaboration with the National Institute for Occupational Safety and Health (“NIOSH”). The objective is to develop a comprehensive HSE training programme for port workers and to cultivate the desired safety culture within PTP. • Organised the “Learning Teams” programme after identification of any significantly high potential or severity of incident in PTP. The objective is to bring together workers who have been involved in an incident, or who might have useful information about it, to share, learn and improve. |
| Northport | <ul style="list-style-type: none"> • Introduced a “Demerit System for Contractors” on their monthly performance evaluation where a certain number of accumulated points will be deducted for HSE non-compliance e.g. fatality, injury, property damage and environmental destruction. • Established the first “Port Reception Facility (“PRF”) in Malaysia. PRF is a facility that international shipping ports must have to collect residues, oily mixtures and general waste generated from ocean-going vessels. As the waste produced by the vessels cannot be discharged directly into the ocean, according to The International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), the PRF is set up to receive all the waste and contaminants while at the same time providing quick and efficient services to the shipping liners. |
| Johor Port | <ul style="list-style-type: none"> • Reviewed and revised the “Safety Violation SOP” and established the “UCUA (Unsafe Condition, Unsafe Act) Penalty Matrix” to strengthen the enforcement of safety, health and environment rules and regulations with the objective of reducing and mitigating risk of accidents or injuries at the workplace. • Established the “DOSH Pre-Inspection Programme” for port machines and equipment. This is to ensure all machines and equipment are ready for Certificate of Fitness (“CF”) renewal inspection by the Department of Occupational Safety and Health (“DOSH”). • Set up a “physiotherapy centre” for employees who were involved in accidents to reduce the risk of injury-related ergonomic issues such as slipped discs, back pain, etc. |
| Penang Port | <ul style="list-style-type: none"> • Introduced the “I AM Safety Champion” programme, a “near-miss/UCUA” digital reporting platform with the purpose of cultivating a reporting culture among its employees. In this programme, employees are encouraged to use the system to report any near-miss, UCUA events that they see or experience. Recognising and reporting these events may significantly improve workers’ safety and enhance the safety culture. |
| MMC Oil & Gas (“MMCOG”) | <ul style="list-style-type: none"> • Incorporated “Fatigue Management Guidelines” into MMCOG Travel Safety and Security Guidelines, in line with PETRONAS’s Standards and International Oil and Gas Practices. |

JOHOR PORT EMPLOYEES’ PHYSIOTHERAPY CENTRE

A new initiative in FY2020 was the commencement of operations of the Johor Port Employees’ Physiotherapy Centre. The setting up of the centre within the port confines has enabled easier access for the employees to seek physiotherapy treatment due to a wide range of conditions. The centre is exclusively for the use of Johor Port employees. It has been opened since 28 July 2020 and has provided free of charge physiotherapy treatment to 188 port employees. This centre is managed and operated by Physio Mobile Sdn Bhd and is paid by Johor Port as part of providing the occupational health therapy for its employees.

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7.4. COVID-19 PRECAUTIONARY MEASURES

The Group continuously observes the health and safety measures and Standard Operating Procedures (“SOPs”) outlined by relevant Ministries especially the Ministry of Health Malaysia for the COVID-19 pandemic to safeguard the health and safety of all employees and stakeholders. This is to ensure the pandemic will not significantly affect the daily business operations and performance as well as to assist the Government to break the chain of COVID-19 infection in this country.

All MMC’s operating companies have each developed a Pandemic Response Plan (“PRP”) and a Business Continuity Plan (“BCP”) in order to manage the COVID-19 pandemic scenario. This PRP and updated BCP were immediately executed to ensure the safety of employees at work while minimising the risk of business and operations disruption at sites due to COVID-19. Regular communication regarding the dangers of the COVID-19 pandemic and preventive measures have been taken to ensure a high level of awareness among employees and also stakeholders.

Highlights on the precautionary actions taken by the Group are as follows:

| | |
|---|--|
| Limiting Number of On-site Employees | <ul style="list-style-type: none"> During the MCO announced in mid-March 2020, several operating companies were categorised as essential businesses, mainly ports, airports, as well as energy and utilities. The Group set a limit on the number of employees who could be on-site or in the office The remaining employees were instructed to work from home. To ensure business continuity, employees in key function areas were split into teams i.e. Team A and Team B, to work on a rotation basis |
| Social Distancing | All public spaces such as the reception area, canteen, elevator, discussion rooms, etc. were properly marked to ensure 1-metre social distancing |
| Face Masks | All employees were provided with face masks free of charge |
| Hand Sanitisers | Hand sanitisers were made available throughout the business premises |
| Temperature Check and Registration | Having body temperature checks at the main entrances and mandatory registration via the MySejahtera app or manually upon arrival at the office or work site |
| Posters | Posters to remind employees and visitors of the COVID-19 safe steps were strategically placed throughout the business premises |
| COVID-19 Tests | Approximately 4,000 MMC employees (26%) were tested for COVID-19. This includes compulsory testing for employees who are on-site and frequently interact with external stakeholders as well as foreign workers hired by the Group |



Despite our high number of employees of whom the majority work in operational settings, the Group reports that only 26 employees were tested positive for COVID-19 in FY2020.

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7.5. RETURN TO WORK PROGRAMME

The MMC Return to Work (“RTW”) Programme has assisted employees who have had related injuries/illness ease their return back to work.

RTW allows for an early identification of appropriate intervention plans for the employee’s rehabilitation and recovery process. In FY2020, 40 employees from various departments and divisions in the Group were sent for a two-day training programme from 24 to 25 February 2020 with *Pertubuhan Keselamatan Sosial* (“PERKESO”) for certification as recommended by RTW Coordinators.

The roles of the RTW Coordinators, among others, are to facilitate the identification and evaluation of employees being referred to the RTW programme as well as the planning and monitoring of rehabilitation and recovery processes.

In addition, an on-site rehabilitation centre was established in PTP in collaboration with PERKESO to provide treatment and rehabilitation for employees that require basic physical intervention therapies.

7.6. SAFETY AND HEALTH MANAGEMENT FOR CONTRACTORS AND SUBCONTRACTORS UNDER MMC GROUP

All MMC’s operating companies have a sizeable number of contractors and subcontractors. Prior to the latter’s engagement, pre-qualifying screening is conducted to ensure that contractors and subcontractors have a good HSE performance and will comply with all HSE requirements.

Continuous engagements, awareness sessions, training programmes, periodic inspections and safety and health audits are carried out throughout the period of the contract with the Group. The key HSE activities with contractors are as follows:

| | |
|-------------------|--|
| PTP | <ul style="list-style-type: none"> • Review the contractor’s HSE performance records prior to hiring them • Stipulate that contractors must undertake a comprehensive on-the-job risk assessment upon application for PTW • Compulsory job training and HSE orientation for every hired contractor for any works/projects • Periodic monitoring, assessment and inspection of contractors to ensure HSE standards are met as per the standard set • Implement the HSE “Consequence Management” to provide a fair and consistent approach in dealing with contractors who violate HSE standards or regulatory requirements • Perform post-job evaluation to assess contractors’ performance and effectiveness in the form of contractors’ reports, claims, observations, and injury rates • Manage the contractors through various platforms such as engagement programmes, weekly/monthly contractor safety reviews and tea break sessions to ensure they are fully committed to HSE management standards |
| Northport | <ul style="list-style-type: none"> • Conduct HSE induction sessions and on-the-job training programmes for the contractors especially for new hires or specific working groups • Conduct periodic HSE related engagements to instil and promote HSE awareness and culture • Conduct daily routine HSE “toolbox” sessions prior to workers commencing work to heighten their awareness of workplace hazards and apply safe-work practices • Establish “HSE Performance Improvement Task Force” when there is a need for improvement in specific areas involving the contractors • Implement a demerit system on contractor performance evaluation • Enforce compulsory COVID-19 testing for foreign workers prior to entering port |
| Johor Port | <ul style="list-style-type: none"> • Conduct compulsory “Safety Induction and Awareness Course” and “Safety Briefing” sessions for contractors’ workers before they commence work • Conduct safety trainings and awareness sessions for contractors • Conduct weekly “Toolbox Briefing” for contractors prior to starting work • Establish the “COVID-19 Precautionary Measures” guidelines during the MCO |

SUSTAINABILITY REPORT

| | |
|------------------------------------|--|
| Penang Port | <ul style="list-style-type: none"> Conduct HSE Engagement programmes with contractors including “Safety and Security Induction Training” and periodic “Safety Toolbox Briefing” sessions for contractors’ workers Conduct “Functional/Skill and Competency Training” for stevedores, wharf gangs, lashing gangs, prime mover operators and haulier drivers Conduct periodic “HSE Inspections and Audits” on contractors who cover the provision of port operation services for container, conventional cargo, warehouse, marine and cruise terminal |
| Kontena Nasional | <ul style="list-style-type: none"> Foster HSE Awareness among contractors through HSE training on “Defensive Driving” and “Scheduled Waste Management Awareness” Instill HSE Awareness among contractors via Monthly HSE Flyers |
| Senai International Airport | <ul style="list-style-type: none"> Conduct “Safety and Security Induction Briefing” among contractors prior to commencing work in Senai International Airport Conduct weekly “Safety Compliance Inspection” at terminal area and contractors’ project sites Establish “Contractor Safety Work Guidelines” and share and communicate with contractors through official website Establish “Hazardous Work Control Programme” and “Permit to Work” system procedures to coordinate, assess and monitor contractors’ activities and performance Enforced pandemic management guidelines among employees, contractors and visitors |
| MMC Engineering | <ul style="list-style-type: none"> Conduct compulsory HSE Induction sessions for all contractors’ workers Conduct quarterly HSE Training relating to project OSH requirements in various disciplines in engineering and construction Establish safe operating procedures for workers Conduct daily, weekly and monthly toolbox sessions with workers Conduct daily, weekly and monthly HSE inspections and housekeeping Conduct quarterly internal and external HSE audits on contractors |

7.7. CUSTOMER HEALTH AND SAFETY

Wildlife Hazard Management at Senai International Airport

Wildlife intrusion continues to be a safety concern for aviation regulators, airlines and airports around the world as it poses a material risk to aircraft and passengers’ safety.

To minimise the risk caused by wildlife activities at the airport, Senai International Airport has established and integrated its Wildlife Hazard Management Plan (“WHMP”) as part of its Safety Management System (“SMS”) aligned with the requirement and standards set by the Civil Aviation Authority of Malaysia (“CAAM”) and International Civil Aviation Organisation (“ICAO”). The plan incorporates the airport’s strategy and initiatives in managing the wildlife intrusion through passive and active measures and has been effective in reducing the frequency and severity of wildlife strikes.

Senai International Airport participated in the Second Meeting of the Asia Pacific Wildlife Hazard Management Working Group Virtual Meeting organised by ICAO Asia Pacific from 27 to 29 May 2020, which was a platform to discuss current challenges and best practices in wildlife management. The table below describes Senai International Airport’s initiatives in managing wildlife intrusion:

| PASSIVE MANAGEMENT | ACTIVE MANAGEMENT |
|--|---|
| <p>a) Periodic grass cutting in airport grassland Scheduled grass cutting ensures that the airside’s grass is maintained at a relatively acceptable height for effective bird hazard control measures</p> <p>b) Tree cutting along perimeter fencing area Trimming and removal of shrubs and trees reduces the browse area for mammals and food source for birds and other animals</p> | <p>a) Live trapping in collaboration with the Department of Wildlife and National Park (PERHILITAN) Live trapping method is used for specific birds or other animals that could both influence habitat and create an attraction in their own right</p> |

SUSTAINABILITY REPORT




| PASSIVE MANAGEMENT | ACTIVE MANAGEMENT |
|---|--|
| <p>c) Waste bins to be covered at all times Denying wildlife access to discarded food via well-sealed waste bins helps control wildlife presence in the airport vicinity. Garbage containers are placed in a specially designed outdoor facility (waste transfer station) to prevent wildlife access while spilt waste at garbage loading areas are cleaned promptly</p> <p>d) Wildlife Study and Analysis Wildlife species, numbers and hazards are counted and recorded to monitor trends. The outcomes from the data analysis are used to update individual species risk profiles and assess the effectiveness of management actions</p> | <p>b) Vehicle patrolling Regular patrolling along the airside's perimeter area is also conducted to scare and disperse the wildlife (birds or other animals) out of the active aircraft movement area</p> |

All wildlife strike incidents are recorded and the trends are monitored on an ongoing basis. In 2020, the rate of bird strikes per 10,000 aircraft movement is at 2.8 which is still regarded as very low risk and no aircraft damage or accidents were caused by them.

| ANNUAL BIRD STRIKES | 2018 | 2019 | 2020 |
|---|--------|--------|--------|
| Number of bird strikes | 6 | 12 | 6 |
| Aircraft movement | 52,030 | 58,335 | 21,481 |
| Bird strike rate per 10,000 aircraft movement | 1.6 | 2.1 | 2.8 |

8. ENGAGING COMMUNITIES: CORPORATE SOCIAL RESPONSIBILITY

MMC continues to drive its Corporate Social Responsibility ("CSR") agenda towards delivering improved outcomes for society and environment. As per previous years, the Group's CSR approach is driven by the following pillars: Education and Community Development, Human Capital Development and Environmental Preservation.

|  EDUCATION AND COMMUNITY DEVELOPMENT |  HUMAN CAPITAL DEVELOPMENT |  ENVIRONMENTAL PRESERVATION |
|--|--|---|
| <p>MMC's initiatives focuses on the education and development of underprivileged children and youths nationwide.</p> | <p>MMC continues to offer a wide range of CSR support to its employees.</p> <p>Beyond work and career-related support, CSR activities are aimed at helping employees improve their health, achieve personal development and develop stronger bonds with each other.</p> <p>The families of employees are also beneficiaries of MMC's CSR activities.</p> | <p>As a responsible organisation, MMC continues to contribute to environmental causes.</p> <p>MMC's support of environmental-based CSR focuses on promoting environmental awareness within the industries we operate in as well as among the public.</p> <p>The Group continues to initiate related programmes and activities on its own accord or in collaboration with non-government organisations ("NGOs") and Government agencies.</p> |

SUSTAINABILITY REPORT



8.1. EDUCATION AND COMMUNITY DEVELOPMENT



MMC Campus Lunch Programme



Malakoff "Jom Sarap" Programme



MMC Corporation Berhad contributed RM1 million to the COVID-19 Fund

- **MMC Prihatin**

Since 2018, as part of MMC's commitment to give back to society, the Group assists families from the underprivileged group, including senior citizens, single parents, the handicapped and the poverty-stricken. In FY2020, a total of 950 families in the Central, Northern and Southern Region benefited from this programme. Among the items contributed to the families were daily essentials and cash vouchers.

- **MMC Campus Lunch Programme**

The MMC Campus Lunch programme was designed to provide nutritious meals for underprivileged students in public universities. Since the launch of this programme, a total of 3,200 packed meals have been distributed to students of Universiti Kebangsaan Malaysia, Bangi and 800 packed meals to the students of Universiti Teknologi MARA, Shah Alam.

- **Malakoff "Jom Sarap" Programme**

The *Jom Sarap* programme by Malakoff provided students with nutritious breakfasts to improve their focus in class and to encourage them to come early to school. In FY2020, a total of 953 students from seven different primary schools located in Mukim Serkat, Pontian, Johor benefited from this initiative.

- **MMC Channelled Various Contributions to Support Fighting COVID-19**

- **MMC Corporation Berhad contributed RM1 million to the COVID-19 Fund**

The COVID-19 Fund was launched by YAB Prime Minister of Malaysia, as part of the Government's effort to help Malaysians affected during the pandemic.



Donation of Containers for COVID-19 COMBAT Project



Supplied Daily Essential Items



Alam Flora COVID-19 Public Sanitation

- **Donation of Containers for COVID-19 COMBAT Project**

Northport joined a group of Malaysian doctors, engineers and designers who were formulating a solution for an effective and efficient mass testing of COVID-19 called Coronavirus Mobile Test Facility or COMBAT and donated 10 containers worth RM80,000 to the project. The containers were remodelled into multiple COVID-19 test booths that provided a more secure working environment for the healthcare workers as compared to open tent testing facilities.

SUSTAINABILITY REPORT

- **Supplies of Daily Essentials and Other Items**

Throughout the pandemic, the Group organised a series of CSR programmes for the community at large. The initiatives taken include providing self-hygiene supplies to old folks' homes, distributing food and essential items to frontliners and contributing medical appliances to the designated COVID-19 treatment hospitals.

MMC and its operating companies contributed more than 12,000 bottles of mineral water and 1,500 packs of dry food to general hospitals in Kuala Lumpur, Selangor, Johor and Penang to assist the frontline health workers as they had increased their work shifts to treat the increasing number of COVID-19 patients.

MMC also provided rations such as rice, flour, sugar and other necessities to more than 3,000 underprivileged families and those affected during the MCO, while MMC Pembetungan Langat Sdn Bhd ("MMC PLSB") contributed essential items including portable air conditioning, stand fans, face masks and personal protective equipment to Hospital Serdang.

In response to the extreme circumstances, Gas Malaysia offered a special relief package to its customers and Government hospitals to alleviate their burden during the MCO. A special rebate of RM100 was given to their low-cost residential customers for six months and more than 4,000 customers have benefited from the rebate. Gas Malaysia has also waived the gas charges for all Government hospitals that uses its natural gas for a period of six months from April to September 2020.

Gas Malaysia contributed 16 units of Digital Handheld Oximeter to Hospital Raja Permaisuri Bainun and Hospital Teluk Intan in Perak, Hospital Ampuan Afzan in Pahang as well as Hospital Sultanah Aminah in Johor. The device has a function to check how well the heart pumps oxygen throughout the body and monitors blood oxygen levels of COVID-19 patients.

Malakoff contributed packs of daily necessities consisting of rice, cooking oil, flour and sugar to 290 underprivileged households within their business operations in Mukim Serkat, Johor, Segari, Perak and Prai, Penang.

In the Southern Region, PTP, Johor Port, Senai International Airport, Senai Airport City and Seaport Worldwide contributed medical appliances and other supplies to the designated COVID-19 treatment hospitals in Johor. Surgical face masks, hand sanitisers, gloves, mineral water and biscuits packs were distributed to medical frontliners at Hospital Permai in Johor Bahru while Hospital Enche' Besar Hajjah Khalsom in Kluang received medical appliances such as infusion pumps and syringe pumps, which are essential in treating COVID-19 patients. In Melaka, Tanjung Bruas Port distributed bottles of mineral water and biscuits to health workers in Hospital Melaka.

In the Northern Region, Penang Port distributed its 'Penang Port Care Package' comprising necessities such as rice, sugar, canned food, milk, body wash and detergent to more than 100 health workers in Hospital Pulau Pinang. Penang Port also contributed two sets of air coolers to Klinik Kesihatan Mak Mandin, Penang to support the medical frontliners by creating a more comfortable working environment.

- **School Disinfection Programme**

Through the collaboration of PTP and Johor Port Authority ("JPA"), a School Disinfection Programme for the Gelang Patah community was organised. A total of 17 primary and secondary schools within Gelang Patah area received disinfectant kits that contained hand sanitisers, disinfectant liquid, sprays and thermometers.

- **Alam Flora COVID-19 Public Sanitation**

Alam Flora participated in a series of integrated public sanitation operations, focused on the identified orange and red zone areas in Kuala Lumpur and Selangor with the intention of helping to reduce the spread of COVID-19. The operations were carried out periodically, especially in public areas in Kuala Lumpur.

SUSTAINABILITY REPORT

- MMC Contributes 600 Boxes of Care Package to NGOs

MMC has contributed 600 care packages consisting of daily food supplies to representatives from the Selangor, Putrajaya and Kuala Lumpur School Bus Drivers Associations and the Malaysian Taxi Association. The contribution was aimed at alleviating the hardships faced by school bus drivers and taxi drivers affected by the COVID-19 pandemic. The contribution was channelled through the Ministry of Transport Malaysia.

- Donation of Laptops and Desktops to Underprivileged Students

MMC has distributed 82 refurbished desktops and laptops to underprivileged students from various schools and universities. The refurbished laptops and desktops were contributed by operating companies across the Group. This contribution serves to help needy students transition to online learning, which includes attending classes or preparing for exams virtually. Many of these students have been affected by the closure of universities and schools due to the COVID-19 pandemic.

- Humanitarian Aid to China

In February 2020, Northport participated in a humanitarian effort to help fight the COVID-19 pandemic in Wuhan, China. Northport provided warehouse space totalling 8,000 square feet to store nitrile and latex gloves which were donated by Malaysian companies before they were shipped out to China from Northport.

Other CSR Initiatives under Education and Community Development

| NO. | DATE | EVENT |
|-----|-----------------|--|
| 1. | 10 January | PTP welcomed a group of undergraduate students from the University of Maryland on their global immersion course to Malaysia and Singapore |
| 2. | 20 January | Northport celebrated the Chinese New Year festival with patients at Hospital Tengku Ampuan Rahimah, Klang |
| 3. | 24 January | Senai International Airport co-organised a blood donation drive with Hospital Sultanah Aminah, Johor Bahru |
| 4. | 22 - 24 January | MMC PLSB distributed mandarin oranges to residents around the Langat Sewerage Project during the Chinese New Year celebrations |
| 5. | 6 February | Gas Malaysia visited children at the Pediatric Ward at Hospital Shah Alam in conjunction with the Chinese New Year |
| 6. | 25 February | Senai International Airport participated in a knowledge sharing session called "Aviation Insight Series" held at the School of Mechanical Engineering, Universiti Teknologi Malaysia |
| 7. | 26 February | PTP visited an old folks' home, Rumah Seri Kenangan in Johor Bahru and donated items such as trolley bags, <i>kain sarong</i> , t-shirt and head scarves |
| 8. | 27 February | Northport organised a <i>gotong-royong</i> programme at its new warehouse in Tanjung Harapan to clean up and beautify the warehouse compound |
| 9. | 3 March | Kontena Nasional organised a blood donation campaign at its Johor Branch office in collaboration with Hospital Sultanah Aminah, Johor Bahru |
| 10. | 27 May | PTP and JPA joined hands to reach out to the less fortunate residents in Rumah Seri Kenangan and Rumah Fitrah Qaseh, to provide aid during the Hari Raya festive period |
| 11. | 16 - 18 June | MMC PLSB presented Hari Raya packages and financial aid to residents involved in the construction of Langat sewer network in Cheras and Kajang |
| 12. | 15 July | Johor Port contributed five units of refurbished computers to Maahad Johor, a religious secondary school in Johor Bahru under the "Johor Port Bright Tech" programme |
| 13. | 31 July | Malakoff donated six cows to residents of Segari, Prai and Mukim Serkat for Aidiladha celebrations |
| 14. | 14 August | Northport collaborated with University Malaya Medical Centre to organise a blood donation programme to help a Northport employee in need of blood transfusion and to boost supply of blood at the centre |
| 15. | 15 September | Alam Flora launched the Alam Flora Environmental Solutions' ECO Duta Programme at Fasiliti Inovasi Kitar Semula as part of its 'wealth sharing' initiative to stimulate the recycling industry and circular economy creation |
| 16. | 27 October | PTP collaborated with JPA to distribute aid to residents of old folks' home and welfare care centre |

SUSTAINABILITY REPORT

| NO. | DATE | EVENT |
|-----|-------------|---|
| 17. | 1 November | MMC's operating companies in the Southern Region contributed to the 'Laksamana Run 2020', a charity run organised by Tunku Laksamana Johor Cancer Foundation with the aim of raising funds for the foundation as well as to create public awareness on cancer |
| 18. | 29 December | Johor Port contributed RM1 million to the UTM Endowment Fund |
| 19. | 30 December | Tanjung Bruas Port organised a Back to School programme and provided school supplies to 100 underprivileged students |



8.2. HUMAN CAPITAL DEVELOPMENT

- **GMD Tea Talk Session with MMC Scholars**

A session was conducted by the Group Managing Director to get to know MMC's scholars as well as to share his experiences and expectations.

- **Basic Rigging and Slings Training by PTP**

A two-day 'Basic Rigging and Slings Training' was held at PTP. The training provided participants with a detailed understanding of rigging and slinging work systems that need to be implemented to ensure worker safety, especially while working on towers or any other high places and for craning activities.

- **Return to Work Coordinator ("RTWC")**

Kontena Nasional participated in the RTWC programme organised by MMC and PERKESO, to create awareness on Disability Management as well as to provide employers with basic knowledge in managing employees with disabilities or prolonged medical leave through early intervention.

Other CSR Initiatives under Human Capital Development

| NO. | DATE | EVENT |
|-----|---------------------|---|
| 1. | 11 January | Senai International Airport held a "Family Fun Day" for its employees to celebrate and to show appreciation of employees' hard work in 2019 |
| 2. | 30 - 31 January | Penang Port held an in-house Functional Training Programme to improve efficiency and productivity |
| 3. | February - November | Northport organised a team building programme called "The Amazing Team" for their employees to strengthen the bond between employees and the Management team |
| 4. | 11 February | Johor Port conducted a "Grid Up Simulation Programme" for employees to make critical decisions to maximise opportunities and achieve the highest advantage by leveraging on each other's strengths and weaknesses |
| 5. | 14 February | Gas Malaysia organised a Long Service Award in recognition of its long-serving employees |
| 6. | 19 February | Employees of SMART Tunnel participated in a training entitled "Employer's Tax Obligations Workshop" |
| 7. | 4 & 11 March | MMC, together with the MACC, held a briefing on Section 17A MACC Act 2009 - Corporate Liability and MMC ABAC Policy |
| 8. | 5 March | MMC held an awareness session conducted by the Inland Revenue Board of Malaysia ("LHDN") in regards to e-Filing declaration and other matters related to LHDN |
| 9. | 6 March | Johor Port conducted a "Basic Sea Survival with Additional Travel Safely by Boat" training for employees working on offshore installations, ships and areas near water |
| 10. | 11 March | Kontena Nasional organised its second batch of Service I.M.A.G.E (Interest, Mindsets, Attire, Grooming and Etiquette) programme aimed at improving its customer services |

SUSTAINABILITY REPORT

| NO. | DATE | EVENT |
|-----|-------------------------|---|
| 11. | 11 - 13 March | MMC Engineering organised a Residential Teambuilding and Project Risk Assessment Programme to inculcate strategic partnership and teamwork between project team members from MMC Engineering, MMCOG and Sedia Engineering Works Sdn Bhd ("SEDIA") involved in the Engineering, Procurement, Construction and Commissioning ("EPCC") of Graphite Project |
| 12. | 13 - 14 July | PTP held a "Lean for All" programme for its employees to have a better understanding of knowledge, concepts, and tools required to be a lean company |
| 13. | 10 & 24 July | MMC conducted an online training for its employees entitled "Grammar Get-It-Right" to improve their English language competency and proficiency |
| 14. | 5 August | Penang Port held a mandatory in-house training class on "Radiation Safety Course" for their Radiation personnel |
| 15. | 23 & 24 September | MMC held an "Employee Engagement Focus Group Session" for non-executives and executives to gather data and ideas for future improvisation |
| 16. | 29 & 30 September | A programme entitled "Aspiring Executives Development Programme" was held for MMC's scholars to enhance their professional development and to ensure the continued success of the company |
| 17. | 5 October & 4 November | Johor Port collaborated with PT Pelabuhan Indonesia 3 and 4 to organise a webinar entitled "The 7 Habits of Highly Effective People - In Perspective of Current Pandemic" |
| 18. | 9 October - 27 November | PTP's first group of female terminal operators successfully graduated from the "Fastrack Upskilling" programme |



8.3. ENVIRONMENTAL PRESERVATION

Environmental conservation and preservation initiatives are part of MMC's agenda as a responsible organisation. We continue to prioritise the environment in all aspects of our business by leveraging and investing in various programmes.



Malakoff's "Save Our Sea" Programme



Gas Malaysia's "Mangrove Tree Planting" Programme

- **Malakoff's "Save Our Sea" Programme**

Malakoff collaborated with the Perak State Government Fisheries Department in the "Save Our Sea" programme at Dataran Teluk Senangin, Perak. The event aims to cultivate a culture of keeping our beaches, oceans and rivers clean among the local communities and public. More than 300 volunteers comprising Malakoff's employees, members of local NGOs and participants from local communities supported this programme.

- **Gas Malaysia's "Mangrove Tree Planting" Programme**

Gas Malaysia, together with the Malaysian Nature Society, took part in planting 280 mangrove seedlings along a designated area in the Kuala Selangor Nature Park. In ensuring the success of this CSR programme, supervisors from Kuala Selangor Nature Park will be monitoring the mangrove's growth and survival over the next year.

SUSTAINABILITY REPORT

Other CSR Initiatives under Environmental Preservation

| NO. | DATE | EVENT |
|-----|--------------------|---|
| 1. | January - December | Johor Port organised monthly "Scheduled Waste Management Awareness" Programme for its contractors and tenants |
| 2. | June - December | Northport executed a Green Initiative project through a landscape competition, as part of its commitment towards environmental sustainability |
| 3. | 8 September | SPT Services Sdn Bhd, a subsidiary of Johor Port, together with its stakeholders, cleaned up the Tanjung Setapa beach in Pengerang, Johor |
| 4. | 19 - 23 October | Northport organised "Ayuh Kitar Semula 5.0" as part of its corporate responsibility to protect the environment and create awareness among employees |

9. MOVING FORWARD

We stand tall on the progress MMC has achieved in its sustainability journey in FY2020. The road of continuous improvement is challenging, but over the years the Group has been successful in closing reporting gaps and also strengthening its overall approach to practicing sustainability.

MMC remains committed to continually reviewing its sustainability disclosures towards identifying improvement opportunities. We will continue to align our reporting to global best practice standards and industry benchmarks while also learning from our industry peers towards emulating proven success stories.

Progressively, MMC continues to move forward from an organisation that is report driven, towards becoming a more consciously driven organisation, where sustainability is increasingly integrated into our business and operational strategies at all levels of the conglomerate.

Our purpose and passion as an infrastructure development conglomerate is matched by a similar desire and drive to ensure that we manage our resources and performance today to ensure a better tomorrow for all stakeholders across the economic, environmental and social bottom line. The Group will continue to grow together with our stakeholders - enriching lives, generating new employment, creating good business prospects and providing support to communities.

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DIRECTORS' REPORT

For the Financial Year Ended 31 December 2020

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, construction, mining and mineral exploration.

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 38 to the financial statements.

There are no significant changes in the nature of the activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|-----------------------------------|-------------------------|---------------------------|
| Net profit for the financial year | 445,844 | 541,059 |
| Attributable to: | | |
| - owners of the Parent | 375,295 | 541,059 |
| - non-controlling interests | 70,549 | - |
| | 445,844 | 541,059 |

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIVIDEND

The dividend paid or declared by the Company since 31 December 2019 are as follows:

| | RM'000 |
|---|---------------|
| In respect of the financial year ended 31 December 2019, as shown in the Directors' report of that financial year, a final dividend of 4.5 sen per ordinary share, paid on 26 June 2020 | 137,028 |
| In respect of the financial year ended 31 December 2020, a dividend of 1.5 sen per ordinary share, paid on 23 December 2020 | 45,676 |

On 1 April 2021, the Board of Directors has approved and declared a dividend of 3.5 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM106,577,049 in respect of the financial year ended 31 December 2020. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2021.

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2020

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Seri Tajuddin Atan, Group Chairman (Appointed on 1 September 2020)

Dato' Sri Che Khalib Mohamad Noh

Datuk Ooi Teik Huat

Dato' Abdul Hamid Sh Mohamed

Dato' Siti Halimah Ismail

Syed Naqiz Shahabuddin Syed Abdul Jabbar

Dato' Ir. Jamaludin Osman

Sharifah Sofia Syed Mokhtar Shah

Tan Sri Dato' Seri Shamsul Azhar Abbas (Resigned on 31 August 2020)

Tee Beng Thong (Resigned on 1 July 2020)

The Directors of subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of the report are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2020, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments and benefit-in-kind received or due and receivable by Directors or the fixed salary of a full time employee of the Company and its related corporations as disclosed in Note 7(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in the shares of the Company during the financial year were as follows:

| | Number of ordinary shares | | |
|----------------------------------|---------------------------|----------------|------------------|
| | At 1.1.2020 | Bought Sold | At 31.12.2020 |
| Direct interests in the Company: | | | |
| Dato' Sri Che Khalib Mohamad Noh | - | 600,000 | - |
| Dato' Abdul Hamid Sh Mohamed | - | 500,000 | (500,000) |

Other than the above, the Directors in office at the end of the financial year did not have any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2020

INDEMNITY FOR DIRECTORS AND OFFICERS

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a Group basis by MMC Corporation Berhad and the total premium paid by MMC Corporation Berhad Group during the financial year amounted to RM89,845.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of impaired receivables and the impairment of receivables and satisfied themselves that all known impaired receivables had been written-off and that adequate impairment had been made for impaired receivables; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amounts written-off for impaired receivables or the amount of the impairment of receivables in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2020

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard Indra Cita Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company.

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 7(i) to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 1 April 2021.

DATUK SERI TAJUDDIN ATAN
GROUP CHAIRMAN

Kuala Lumpur

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

STATEMENT BY DIRECTORS

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

We, Datuk Seri Tajuddin Atan and Dato' Sri Che Khalib Mohamad Noh, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 190 to 306 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and of the financial performance and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 1 April 2021.

DATUK SERI TAJUDDIN ATAN

GROUP CHAIRMAN

DATO' SRI CHE KHALIB MOHAMAD NOH

GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Badrulhisyam Fauzi, the officer primarily responsible for the financial management of MMC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 190 to 306, are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

BADRULHISYAM FAUZI

(MIA No. 43753)

Subscribed and solemnly declared by the abovenamed Badrulhisyam Fauzi

At: Kuala Lumpur in the Federal Territory

On: 1 April 2021

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) (Registration No. 197601004261 (30245-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MMC Corporation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 190 to 306.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) (Registration No. 197601004261 (30245-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| <p><u>Impairment assessment on goodwill and intangible assets</u></p> <p>The Statement of Financial Position of the Group includes RM1,984 million and RM336 million of goodwill and intangible assets respectively arising from the acquisition of subsidiaries.</p> <p>We focused on this area due to the significance of the carrying amounts (10.6% of the total Group non-current assets at 31 December 2020) and the complexity and judgemental nature of the key assumptions used that is Twenty-foot Equivalent Units ("TEU") growth, terminal growth and discount rates for the port segments and passenger volumes and value of land for the airport segment in determining the value in use ("VIU") of the respective CGUs to which goodwill and intangible asset have been allocated. In accordance with MFRS 136 "Impairment of Assets", management carried out annual impairment testing for both Cash Generating Units ("CGUs") during the financial year.</p> <p>Refer to Note 19 to the financial statements.</p> | <p>Our procedures in relation to the impairment assessment are to test appropriateness of management's identification of the Cash Generating Units ("CGU") and to evaluate the reasonableness of the key assumptions used in preparing the discounted cash flows to determine the value in use ("VIU") of each CGU.</p> <p>In assessing the reasonableness of the key assumptions used in the VIU calculations, we performed the following procedures:</p> <ul style="list-style-type: none"> • Agreed the cash flows to the current financial budgets approved by the Directors for the next financial year and projections for the following four years; • Compared the key assumptions used in the approved budgets against historical results and prior year approved budget; • Compared the discount rates used with other organisations in similar industry; • Checked that the terminal growth rate did not exceed the long term average growth rate for each industry in which the CGUs operate; and • Performed sensitivity analysis on the value in use by applying reasonably possible change in i. TEU growth, terminal growth and discount rates for port segment and ii. the value of land and passenger growth for the airport segment. The key assumptions that required significant judgement for the port and airport segments are as follows: <p><u>Ports segment</u></p> <ol style="list-style-type: none"> 1. <u>Twenty foot Equivalent Units ("TEU") growth</u> TEU is the significant assumption used in deriving the discounted cash flows for the VIU calculations. We have assessed the reasonableness of the TEUs used in the projections against historical results and long term average industry growth rate. 2. <u>Terminal growth and discount rate</u> The discount rate is a significant assumption used in deriving the discounted cash flows for the VIU calculations. We tested the appropriateness of the terminal growth rate by comparing with current gross domestic product growth, inflation and average growth rate for the industry. The appropriateness of the discount rate is tested by benchmarking with the industry average. <p><u>Airport segment</u></p> <ol style="list-style-type: none"> 1. <u>Passenger volumes</u> We have assessed the reasonableness of the passenger volumes used in the projections against historical results and average growth rate. 2. <u>Value of property development land</u> We have compared the value used to the latest available transacted price of comparable land in close proximity during the financial year. <p>Based on the procedures performed above, we did not find any material exceptions to the assumptions and methodology used in estimating the recoverable amount of the CGUs.</p> |

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) (Registration No. 197601004261 (30245-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| <p><u>Carrying amount of investment in a significant associate</u></p> <p>The Group's 37.6% interest in Malakoff Corporation Berhad ("Malakoff") is accounted for under the equity method. The Group's carrying value in Malakoff amounted to RM3,228 million as at 31 December 2020. In that respect, Malakoff is a significant component of the Group.</p> <p>The carrying amount of the Group's investment in Malakoff is significantly impacted by the assessment of the recoverability of the carrying amount of the property, plant and equipment in Malakoff.</p> <p>The assessment for impairment testing requires considerable judgement on the part of both Malakoff and Group's management. A range of possible changes in those judgement and assumptions could cause a material adjustment to the carrying amount of the Group's investment in Malakoff.</p> <p>Refer to Notes 3(f) and 15 to the financial statements.</p> | <p>In support of our work on assessing the appropriateness of the carrying amount of the investment, we have reviewed Malakoff's Auditors' work papers and the related procedures performed. More specifically, their work on assessing the projected cash flows of the power plants and the assessment of waste management concession business.</p> <p>We examined that appropriate audit evidence has been obtained on the preparation of discounted cash flow models and that the assumptions used by Malakoff were appropriately compared to externally supported inputs:</p> <ol style="list-style-type: none"> 1. <u>Capacity factor of power plants</u> We compared the capacity factor assumption against actual capacity achieved in the past. 2. <u>Fixed and variable energy tariff</u> We compared the tariff used in the projection to the power purchase agreement. 3. <u>Projected revenue growth and tariff revision of concession business</u> We compared the expected tariff revision to the service concession agreement and compared the projected growth against historical revenue growth and available industry statistics. 4. <u>Discount rate</u> We compared the discount rate against industry discount rate. <p>Based on such work, we did not find any material exception to the assumptions used in assessing the carrying amount of investment in Malakoff.</p> |
| <p><u>Expected credit loss of claim receivable</u></p> <p>Trade and other receivables of the Group are measured at amortised cost. Impairment assessment is assessed using the expected credit loss ("ECL") model on a forward looking basis. The expected credit loss charge to the Statement of Comprehensive Income for the year ended 31 December 2020 amounted to RM137 million, out of which, RM108 million relates to claim receivable of a subsidiary ("claim receivable") as described in Note 3(e).</p> <p>In relation to the claim receivable, the probability weighted ECL requires judgement to determine multiple probable outcomes and assign percentages of probability to each of those outcomes.</p> <p>The degree of judgement required for the impairment assessment on the claim receivable may result in a material adjustment to the financial statements.</p> <p>Refer to Notes 3(e) and 23 in the financial statements.</p> | <p>We held discussions with management on the assessment of ECL of the claim receivable to understand and assess the rationale and weightage of likelihood of each probable scenario. In doing so, we have performed the following procedures:</p> <ol style="list-style-type: none"> 1. We obtained and examined third party evidence in the form of correspondence with legal advisors to understand the status and development of the verification process during the current financial year and its impact to the ECL; and 2. We compared management's assessment against the evidence and correspondences in (1) to assess the judgement used for the probable scenario identified and the weightage of likelihood on the recoverability of those claims. <p>Based on the work performed, we found management's assessment of ECL to be materially consistent with the supporting information provided.</p> |

There are no key audit matters to report for the Company.

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) (Registration No. 197601004261 (30245-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Directors' Statement on Risk Management and Internal Control and the complete 2020 Annual Report which include the Corporate Overview, Group Corporate Structure, Corporate Information, Chairman's Statement, Group Managing Director's Statement, Financial Review, Management's Discussion and Analysis, Sustainability Report, Corporate Highlights, Corporate Governance Overview Statement, Audit Committee Report, Finance, Investment and Risk Committee Report and Additional Compliance Information, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

To the Members of MMC Corporation Berhad (Incorporated in Malaysia) (Registration No. 197601004261 (30245-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 38 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
1 April 2021

NURUL A'IN BINTI ABDUL LATIF
02910/02/2023 J
Chartered Accountant

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

| | Note | Group | | Company | |
|-----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue | 4 | 4,492,748 | 4,711,796 | 1,508,154 | 1,676,052 |
| Cost of sales | 5 | (2,429,666) | (2,823,930) | (738,533) | (1,031,905) |
| Gross profit | | 2,063,082 | 1,887,866 | 769,621 | 644,147 |
| Other operating income | | 155,954 | 220,313 | 37,777 | 61,242 |
| Administrative expenses | | (883,814) | (840,246) | (53,177) | (64,645) |
| Other operating expenses | | (442,142) | (369,793) | (16,191) | (14,698) |
| Finance costs | 6 | (609,972) | (677,993) | (168,477) | (179,084) |
| Share of results of: | | | | | |
| - associates | | 175,974 | 167,771 | - | - |
| - joint ventures | | 194,632 | 134,073 | - | - |
| Profit before zakat and taxation | 7 | 653,714 | 521,991 | 569,553 | 446,962 |
| Zakat expense | | (3,565) | (3,470) | (572) | (1,104) |
| Tax expense | 8 | (204,305) | (218,111) | (27,922) | (5,089) |
| Net profit for the financial year | | 445,844 | 300,410 | 541,059 | 440,769 |
| Net profit attributable to: | | | | | |
| Owners of the parent | | 375,295 | 255,166 | 541,059 | 440,769 |
| Non-controlling interests | | 70,549 | 45,244 | - | - |
| | | 445,844 | 300,410 | 541,059 | 440,769 |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

| Note | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Other comprehensive (loss)/income, net of tax | | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | |
| Movement in associates' reserve | (31,094) | (56,138) | - | - |
| Fair value adjustment - cash flow hedge | (2,894) | (1,080) | - | - |
| Currency translation differences | (1,030) | (3,857) | - | - |
| <u>Items that will not be reclassified to profit or loss:</u> | | | | |
| Net changes in investment securities at Fair Value Through Other Comprehensive Income ("FVOCI") | 8,422 | 20,919 | 9,948 | 19,895 |
| Remeasurement of defined benefit liability | 254 | (7,498) | - | - |
| Other comprehensive (loss)/income for the financial year (net of tax) | (26,342) | (47,654) | 9,948 | 19,895 |
| Total comprehensive income for the financial year | 419,502 | 252,756 | 551,007 | 460,664 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 348,953 | 207,512 | 551,007 | 460,664 |
| Non-controlling interests | 70,549 | 45,244 | - | - |
| | 419,502 | 252,756 | 551,007 | 460,664 |
| Earnings per ordinary share attributable to the equity holders of the Company (sen): | | | | |
| - basic and diluted | 9 | 12.3 | 8.4 | |

The notes on pages 206 to 306 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020 RM'000 | 2019 RM'000 |
|-----------------------------------|-------|----------------|----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 8,617,166 | 8,767,795 |
| Investment properties | 12 | 673,431 | 1,495,841 |
| Rights-of-use assets | 13(a) | 1,993,471 | 2,087,908 |
| Interests in associates | 15 | 4,332,817 | 4,382,475 |
| Investments in joint arrangements | 16 | 276,049 | 333,037 |
| Investment securities | 17 | 40,950 | 32,583 |
| Other investments | 24 | 4,000 | - |
| Inventories | 21 | 3,035,269 | 1,916,580 |
| Trade and other receivables | 23 | 43,321 | 115,654 |
| Intangible assets | 19 | 2,320,202 | 2,333,210 |
| Deferred tax assets | 20 | 560,962 | 636,793 |
| | | 21,897,638 | 22,101,876 |
| CURRENT ASSETS | | | |
| Inventories | 21 | 78,844 | 93,323 |
| Trade and other receivables | 23 | 1,207,457 | 1,565,222 |
| Contract assets | 33 | 102,980 | 233,554 |
| Tax recoverable | | 11,831 | 22,581 |
| Other investments | 24 | 2,349,660 | 1,334,998 |
| Deposits, bank and cash balances | 25 | 451,236 | 1,074,646 |
| | | 4,202,008 | 4,324,324 |
| Assets held for sale | 22 | 7,783 | 19,563 |
| | | 4,209,791 | 4,343,887 |
| TOTAL ASSETS | | 26,107,429 | 26,445,763 |

The notes on pages 206 to 306 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020 RM'000 | 2019 RM'000 |
|--|-------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| EQUITY ATTRIBUTABLE TO OWNERS OF PARENT | | | |
| Share capital | 26 | 2,344,276 | 2,344,276 |
| Reserves | | 7,166,003 | 6,999,754 |
| | | 9,510,279 | 9,344,030 |
| Non-controlling interests | | 787,198 | 762,751 |
| TOTAL EQUITY | | 10,297,477 | 10,106,781 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 28 | 8,760,833 | 7,335,587 |
| Lease liabilities | 13(b) | 2,172,858 | 2,115,281 |
| Provision for retirement benefits | 30(b) | 43,985 | 77,027 |
| Deferred income | 31 | 166,511 | 180,210 |
| Trade and other payables | 30 | 171,198 | 186,862 |
| Contract liabilities | 33 | 96,669 | 111,150 |
| Deferred tax liabilities | 20 | 524,718 | 523,417 |
| | | 11,936,772 | 10,529,534 |
| CURRENT LIABILITIES | | | |
| Borrowings | 28 | 1,010,438 | 3,045,332 |
| Lease liabilities | 13(b) | 141,844 | 147,351 |
| Trade and other payables | 30 | 1,628,347 | 1,566,223 |
| Contract liabilities | 33 | 988,299 | 977,660 |
| Deferred income | 31 | 12,618 | 24,275 |
| Derivative financial instruments | 32 | 16,720 | 3,974 |
| Tax payables | | 74,914 | 44,633 |
| | | 3,873,180 | 5,809,448 |
| TOTAL LIABILITIES | | 15,809,952 | 16,338,982 |
| TOTAL EQUITY AND LIABILITIES | | 26,107,429 | 26,445,763 |

The notes on pages 206 to 306 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020 RM'000 | 2019 RM'000 |
|-----------------------------------|-------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 19,732 | 111,860 |
| Rights-of-use assets | 13(a) | 11,159 | 13,821 |
| Investments in subsidiaries | 14 | 7,898,204 | 7,803,560 |
| Interests in associates | 15 | 882,293 | 882,293 |
| Investments in joint arrangements | 16 | 21,881 | 21,881 |
| Investment securities | 17 | 38,132 | 28,184 |
| Other investments | 24 | 4,000 | - |
| Amounts due from subsidiaries | 18 | 478,306 | 261,632 |
| Deferred tax assets | 20 | 9,100 | 14,000 |
| | | 9,362,807 | 9,137,231 |
| CURRENT ASSETS | | | |
| Inventories | 21 | 690 | 1,659 |
| Trade and other receivables | 23 | 514,776 | 797,507 |
| Other investments | 24 | 995,815 | 729,767 |
| Deposits, bank and cash balances | 25 | 71,503 | 48,997 |
| | | 1,582,784 | 1,577,930 |
| TOTAL ASSETS | | 10,945,591 | 10,715,161 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 26 | 2,344,276 | 2,344,276 |
| Reserves | | 4,171,373 | 3,803,070 |
| TOTAL EQUITY | | 6,515,649 | 6,147,346 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 28 | 2,248,125 | 2,264,203 |
| Lease liabilities | 13(b) | 7,018 | 9,892 |
| Trade and other payables | 30 | 39,372 | 56,935 |
| | | 2,294,515 | 2,331,030 |

The notes on pages 206 to 306 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | 2020 RM'000 | 2019 RM'000 |
|-------------------------------------|-------|----------------|----------------|
| CURRENT LIABILITIES | | | |
| Borrowings | 28 | 581,680 | 927,510 |
| Lease liabilities | 13(b) | 3,320 | 2,925 |
| Trade and other payables | 30 | 196,712 | 217,704 |
| Contract liabilities | 33 | 977,829 | 967,807 |
| Amounts due to subsidiaries | 18 | 360,733 | 106,389 |
| Tax payables | | 15,153 | 14,450 |
| | | 2,135,427 | 2,236,785 |
| TOTAL LIABILITIES | | 4,429,942 | 4,567,815 |
| TOTAL EQUITY AND LIABILITIES | | 10,945,591 | 10,715,161 |

The notes on pages 206 to 306 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

| | Note | Share capital RM'000 | Foreign exchange reserve RM'000 |
|--|------|-------------------------|------------------------------------|
| At 1 January 2020 | | 2,344,276 | 58,118 |
| Net profit for the financial year | | - | - |
| Other comprehensive (loss)/income: | | | |
| Share of movement in associates' reserves | | - | (85) |
| Movement in fair value of investment | | - | - |
| Fair value movement on derivative | | - | - |
| Currency translation differences | | - | (1,030) |
| Remeasurement of defined benefit liability | | - | - |
| Total other comprehensive (loss)/income | | - | (1,115) |
| Total comprehensive (loss)/income for the financial year | | - | (1,115) |
| Transactions with owners: | | | |
| Acquisition of NCI | | - | - |
| Disposal of equity instrument in a subsidiary to NCI | | - | - |
| Dividends paid to owners of the Company | 10 | - | - |
| Dividends paid to non-controlling shareholders | 14 | - | - |
| Total transactions with owners | | - | - |
| At 31 December 2020 | | 2,344,276 | 57,003 |

* The revaluation reserve relates to business combination of a subsidiary prior to the adoption of MFRS.

The notes on pages 206 to 306 are an integral part of these financial statements.

| Attributable to owners of the parent | | | | | | |
|--------------------------------------|-----------------------------|---|--------------------------------|-----------------|--|---------------------------|
| Non-distributable | | | Distributable | | | |
| *Revaluation reserve RM'000 | Other reserves RM'000 | Cash flow hedge reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
| 28,120 | (593) | (27,176) | 6,941,285 | 9,344,030 | 762,751 | 10,106,781 |
| - | - | - | 375,295 | 375,295 | 70,549 | 445,844 |
| - | - | (37,001) | 5,992 | (31,094) | - | (31,094) |
| - | 8,422 | - | - | 8,422 | - | 8,422 |
| - | - | (2,894) | - | (2,894) | - | (2,894) |
| - | - | - | - | (1,030) | - | (1,030) |
| - | - | - | 254 | 254 | - | 254 |
| - | 8,422 | (39,895) | 6,246 | (26,342) | - | (26,342) |
| - | 8,422 | (39,895) | 381,541 | 348,953 | 70,549 | 419,502 |
| - | - | - | - | - | (176) | (176) |
| - | - | - | - | - | 1,497 | 1,497 |
| - | - | - | (182,704) | (182,704) | - | (182,704) |
| - | - | - | - | - | (47,423) | (47,423) |
| - | - | - | (182,704) | (182,704) | (46,102) | (228,806) |
| 28,120 | 7,829 | (67,071) | 7,140,122 | 9,510,279 | 787,198 | 10,297,477 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

| | Note | Share capital RM'000 | Foreign exchange reserve RM'000 |
|--|------|-------------------------|------------------------------------|
| At 1 January 2019 | | 2,344,276 | 71,072 |
| Net profit for the financial year | | - | - |
| Other comprehensive (loss)/income: | | | |
| Share of movement in associates' reserves | | - | (9,097) |
| Movement in fair value of investment | | - | - |
| Fair value movement on derivative | | - | - |
| Currency translation differences | | - | (3,857) |
| Remeasurement of defined benefit liability | | - | - |
| Total other comprehensive (loss)/income | | - | (12,954) |
| Total comprehensive (loss)/income for the financial year | | - | (12,954) |
| Transactions with owners: | | | |
| Acquisition of NCI | | - | - |
| Disposal of interest in a subsidiary to NCI | | - | - |
| Dividends paid to owners of the Company | 10 | - | - |
| Dividends paid to non-controlling shareholders | 14 | - | - |
| Total transactions with owners | | - | - |
| At 31 December 2019 | | 2,344,276 | 58,118 |

* The revaluation reserve relates to business combination of a subsidiary prior to the adoption of MFRS.

The notes on pages 206 to 306 are an integral part of these financial statements.

| Attributable to owners of the parent | | | | | | |
|--------------------------------------|-----------------------------|---|--------------------------------|-----------------|--|---------------------------|
| Non-distributable | | | Distributable | | | |
| *Revaluation reserve RM'000 | Other reserves RM'000 | Cash flow hedge reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
| 28,120 | (21,512) | 19,684 | 6,816,128 | 9,257,768 | 746,389 | 10,004,157 |
| - | - | - | 255,166 | 255,166 | 45,244 | 300,410 |
| - | - | (45,780) | (1,261) | (56,138) | - | (56,138) |
| - | 20,919 | - | - | 20,919 | - | 20,919 |
| - | - | (1,080) | - | (1,080) | - | (1,080) |
| - | - | - | - | (3,857) | - | (3,857) |
| - | - | - | (7,498) | (7,498) | - | (7,498) |
| - | 20,919 | (46,860) | (8,759) | (47,654) | - | (47,654) |
| - | 20,919 | (46,860) | 246,407 | 207,512 | 45,244 | 252,756 |
| - | - | - | - | - | (384) | (384) |
| - | - | - | 552 | 552 | 6,900 | 7,452 |
| - | - | - | (121,802) | (121,802) | - | (121,802) |
| - | - | - | - | - | (35,398) | (35,398) |
| - | - | - | (121,250) | (121,250) | (28,882) | (150,132) |
| 28,120 | (593) | (27,176) | 6,941,285 | 9,344,030 | 762,751 | 10,106,781 |

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

| | Note | Non-distributable | | Distributable | Total RM'000 |
|---|------|----------------------------|-----------------------------|--------------------------------|-----------------|
| | | Share capital RM'000 | Other reserves RM'000 | Retained earnings RM'000 | |
| At 1 January 2020 | | 2,344,276 | (4,974) | 3,808,044 | 6,147,346 |
| Net profit for the financial year | | - | - | 541,059 | 541,059 |
| Transactions with owners: | | | | | |
| Movement in fair value of investment | | - | 9,948 | - | 9,948 |
| Dividends paid to owners of the Company | 10 | - | - | (182,704) | (182,704) |
| At 31 December 2020 | | 2,344,276 | 4,974 | 4,166,399 | 6,515,649 |
| At 1 January 2019 | | 2,344,276 | (24,869) | 3,489,077 | 5,808,484 |
| Net profit for the financial year | | - | - | 440,769 | 440,769 |
| Transactions with owners: | | | | | |
| Movement in fair value of investment | | - | 19,895 | - | 19,895 |
| Dividend paid to owners of the Company | 10 | - | - | (121,802) | (121,802) |
| At 31 December 2019 | | 2,344,276 | (4,974) | 3,808,044 | 6,147,346 |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| OPERATING ACTIVITIES | | | | | |
| Profit before zakat and taxation | | 653,714 | 521,991 | 569,553 | 446,962 |
| Adjustments for: | | | | | |
| Depreciation of: | | | | | |
| - property, plant and equipment | 11 | 668,983 | 627,112 | 99,736 | 88,849 |
| - investment properties | 12 | 18,062 | 8,982 | - | - |
| - rights-of-use assets | 13(a) | 160,241 | 131,323 | 3,140 | 3,141 |
| Amortisation of: | | | | | |
| - rights on airport business | 19 | 4,195 | 4,195 | - | - |
| - rights on port business | 19 | 8,813 | 8,814 | - | - |
| - deferred income | 31 | (25,408) | (29,755) | - | - |
| - land lease received in advance | 30(c) | (6,552) | (8,757) | - | - |
| Impairment of: | | | | | |
| - property, plant and equipment | 11 | 1,617 | - | - | - |
| - trade and other receivables | 23 | 137,228 | 63,582 | 334 | - |
| Gain on disposal of: | | | | | |
| - property, plant and equipment | | (3,888) | (5,055) | (130) | (332) |
| - assets held for sale | | (10,483) | (36,110) | - | (20,054) |
| - investment securities | | (22) | - | - | - |
| Gain on derecognition of rights-of-use assets | | (26,855) | (6,925) | - | - |
| Write-off of property, plant and equipment | | 15,645 | 5,789 | - | - |
| Write-back of impairment of: | | | | | |
| - trade and other receivables | 23 | (13,986) | (6,308) | - | (1,432) |
| - assets held for sale | 22 | (1,174) | - | - | - |
| Dividend income | | (496) | (200) | (654,397) | (518,844) |
| Accretion of interest on borrowings | | 44,951 | 18,975 | 602 | 599 |
| Allowance for slow moving stocks | 21 | 5,603 | 16,463 | - | - |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| | | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| OPERATING ACTIVITIES (CONTINUED) | | | | | |
| Adjustments for: (continued) | | | | | |
| Interest income | | (65,646) | (62,809) | (29,199) | (21,210) |
| Interest expense on borrowings | | 432,513 | 527,885 | 167,286 | 177,796 |
| Interest expense on lease liabilities | | 132,508 | 131,133 | 589 | 689 |
| Share of results in: | | | | | |
| - associates | 15 | (175,974) | (167,771) | - | - |
| - joint ventures | 16 | (194,632) | (134,073) | - | - |
| Net unrealised (gain)/loss on foreign exchange | | (97) | 60 | - | - |
| Provision for retirement benefits | 30(b) | 5,291 | 15,773 | - | - |
| | | 1,764,151 | 1,624,314 | 157,514 | 156,164 |
| Changes in working capital: | | | | | |
| Inventories | | 25,866 | (36,685) | 969 | 801 |
| Receivables | | 345,175 | 736,963 | 292,398 | 490,729 |
| Payables | | 183,944 | (64,785) | (28,534) | 119,912 |
| Deferred income | 31 | 52 | 187 | - | - |
| Cash generated from operations | | 2,319,188 | 2,259,994 | 422,347 | 767,606 |
| Income tax (paid)/refund | | (86,143) | 45,098 | (22,319) | 30,556 |
| Zakat paid | | (3,565) | (3,470) | (572) | (1,104) |
| Retirement benefits paid | 30(b) | (44,958) | (45,443) | - | - |
| Net cash flow generated from operating activities | | 2,184,522 | 2,256,179 | 399,456 | 797,058 |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| Note | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| INVESTING ACTIVITIES | | | | |
| Advances to subsidiaries | - | - | (75,083) | (86,415) |
| Repayment of advances from subsidiaries | - | - | 24,333 | 9,969 |
| Redemption of redeemable convertible preference shares by a subsidiary | - | - | 17,643 | 6,000 |
| Repayment of advances from joint ventures | 359 | 8,601 | - | - |
| Capital repayment from/(contribution to) a joint venture | 500 | (500) | - | - |
| Advances to associates | (32) | (151) | - | - |
| Dividends received from: | | | | |
| - subsidiaries | - | - | 327,996 | 365,921 |
| - associates | 194,022 | 166,425 | 62,031 | 53,323 |
| - joint ventures | 251,120 | 102,400 | 254,120 | 99,400 |
| - others | 496 | 200 | 250 | 200 |
| Interest received | 65,646 | 62,809 | 29,199 | 21,210 |
| Proceeds from sale of: | | | | |
| - property, plant and equipment | 4,497 | 16,018 | 243 | 361 |
| - assets held for sale | 28,380 | 62,136 | - | 22,850 |
| - investment securities | 77 | - | - | - |
| Proceeds from derecognition of rights-of-use assets | 28,565 | 8,093 | - | - |
| Purchase of: | | | | |
| - property, plant and equipment | (817,544) | (559,635) | (7,721) | (37,478) |
| - investment properties | (149,134) | (119,789) | - | - |
| Government grant received | 165,550 | - | - | - |
| Net purchase of other investments | (2,353,660) | - | (999,815) | - |
| Changes in deposits with maturity more than 90 days | 57,560 | 61,044 | - | - |
| Changes in other investments with maturity more than 90 days | 266,005 | (266,005) | - | - |
| Net cash flow (used in)/generated from investing activities | (2,257,593) | (458,354) | (366,804) | 455,341 |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| FINANCING ACTIVITIES | | | | | |
| | | | | | |
| Dividends paid | | (182,704) | (121,802) | (182,704) | (121,802) |
| Dividends paid to non-controlling interests of subsidiaries | | (47,423) | (35,398) | - | - |
| Interest paid | | (457,402) | (548,909) | (167,286) | (177,796) |
| Lease liabilities paid | | (210,636) | (168,877) | (3,546) | (3,625) |
| Borrowings: | | | | | |
| - drawdown | | 2,434,541 | 1,906,767 | 220,000 | 345,000 |
| - repayment | | (3,081,765) | (2,228,147) | (582,510) | (758,340) |
| Advances from subsidiaries | | - | - | 458 | 104,726 |
| Advances to subsidiaries | | - | - | (24,325) | (69,613) |
| Repayment of dividend on redeemable preference shares in a subsidiary | | (16,674) | (16,675) | - | - |
| Proceed from sale of interest in a subsidiary to non-controlling interests | | - | 7,452 | - | - |
| Purchase of additional shares in a subsidiary from non-controlling interests | | (176) | (384) | - | - |
| Proceed from sale of equity instrument in a subsidiary to non-controlling interests | | 1,497 | - | - | - |
| Movement in designated account and pledged deposit | | (627) | (1,860) | - | - |
| Net cash flow used in financing activities | | (1,561,369) | (1,207,833) | (739,913) | (681,450) |
| | | | | | |
| Net change in cash and cash equivalents | | (1,634,440) | 589,992 | (707,261) | 570,949 |
| Foreign exchange differences | | (1,030) | (3,857) | - | - |
| Cash and cash equivalents at beginning of the financial year | | 1,940,918 | 1,354,783 | 778,764 | 207,815 |
| Cash and cash equivalents at end of the financial year | | 305,448 | 1,940,918 | 71,503 | 778,764 |
| | | | | | |
| Cash and cash equivalents comprise: | | | | | |
| Deposits, bank and cash balances | 25 | 451,236 | 1,074,646 | 71,503 | 48,997 |
| Other investments | 24 | - | 1,334,998 | - | 729,767 |
| Less: Deposits with maturity more than 90 days | 25 | (120,486) | (178,046) | - | - |
| Less: Other investments with maturity more than 90 days | 24 | - | (266,005) | - | - |
| | | 330,750 | 1,965,593 | 71,503 | 778,764 |
| Designated account and pledged deposit | | (25,302) | (24,675) | - | - |
| | | 305,448 | 1,940,918 | 71,503 | 778,764 |

The notes on pages 206 to 306 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

Note to the statements of cash flows:

Reconciliation of liabilities arising from financing activities:

Group

| | At 1.1.2020 RM'000 | Cash flows RM'000 | Non-cash changes RM'000 | At 31.12.2020 RM'000 |
|---|--------------------------|----------------------|-------------------------------|----------------------------|
| Borrowings | 10,380,919 | (1,104,626) | 494,978* | 9,771,271 |
| Lease liabilities | 2,262,632 | (210,636) | 262,706* | 2,314,702 |
| Redeemable preference shares | 16,674 | (16,674) | - | - |
| Total liabilities arising from financing activities | 12,660,225 | (1,331,936) | 757,684 | 12,085,973 |

| | At 1.1.2019 RM'000 | Cash flows RM'000 | Non-cash changes RM'000 | At 31.12.2019 RM'000 |
|---|--------------------------|----------------------|-------------------------------|----------------------------|
| Borrowings | 10,683,324 | (870,289) | 567,884* | 10,380,919 |
| Lease liabilities | 2,237,236 | (168,877) | 194,273* | 2,262,632 |
| Redeemable preference shares | 33,349 | (16,675) | - | 16,674 |
| Total liabilities arising from financing activities | 12,953,909 | (1,055,841) | 762,157 | 12,660,225 |

Company

| | At 1.1.2020 RM'000 | Cash flows RM'000 | Non-cash changes RM'000 | At 31.12.2020 RM'000 |
|---|--------------------------|----------------------|-------------------------------|----------------------------|
| Borrowings | 3,191,713 | (529,796) | 167,888* | 2,829,805 |
| Amounts due to subsidiaries | 106,389 | (23,867) | 278,211* | 360,733 |
| Lease liabilities | 12,817 | (3,546) | 1,067* | 10,338 |
| Total liabilities arising from financing activities | 3,310,919 | (557,209) | 447,166 | 3,200,876 |

| | At 1.1.2019 RM'000 | Cash flows RM'000 | Non-cash changes RM'000 | At 31.12.2019 RM'000 |
|---|--------------------------|----------------------|-------------------------------|----------------------------|
| Borrowings | 3,604,454 | (591,136) | 178,395* | 3,191,713 |
| Amounts due to subsidiaries | 69,613 | 35,113 | 1,663 | 106,389 |
| Lease liabilities | - | (3,625) | 16,442* | 12,817 |
| Total liabilities arising from financing activities | 3,674,067 | (559,648) | 196,500 | 3,310,919 |

* Non-cash changes mainly relate to interest charged to profit or loss, interest capitalised, additional leases entered and intercompany debt restructuring.

The notes on pages 206 to 306 are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020

Unless otherwise stated, the following accounting policies have been applied consistently by the Group and the Company in dealing with items which are considered material in relation to the financial statements and applied to all the financial years presented.

(a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group and the Company's financial year beginning on or after 1 January 2020 are as follows:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of amendments listed above did not have any significant impact on the current financial year or any prior financial year and is not likely to affect future financial years.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") that are applicable to the Group and the Company but not yet effective.

The Group will apply the new standards, amendments and interpretations in the following period:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions'

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

- Amendment to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases 'Interest Rate Benchmark Reform – Phase 2'

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(a) Basis of preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 137 'Onerous contracts-cost of fulfilling a contract'
- Annual Improvements to MFRSs 2018-2020: Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives' and Amendment to MFRS 9: 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

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 Venture – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

The adoption of the above standards and amendments are not expected to have a significant impact to the financial statements of the Group and the Company in the year of initial application.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group applies the acquisition method to account for business combinations under common control.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage, and the changes in fair value is taken through profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in the profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(ii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Negative goodwill is included as income in the determination of the investor's share in joint arrangements' profit or loss in the period in which the investment is acquired.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(b) Consolidation (continued)

(ii) Joint arrangements (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In relation to the Group's interest in the joint operations, the Group recognises the assets (including the share of any assets held jointly), liabilities (including the share of any liabilities held jointly), revenue from the sale of the share of the output arising from the joint operation (including share of the revenue from the sale of the output by the joint operation) and expenses (including the share of any expenses incurred jointly).

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Negative goodwill is included as income in the determination of the investor's share in associate's profit or loss in the period in which the investment is acquired. In relation to subsidiaries disposed with a retained interest as an associate, the remeasured fair value is the initial carrying amount for the purpose of subsequent accounting.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit or loss of an associate' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Refer to Note (e) for accounting policy on depreciation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note (g) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net proceeds with carrying amount and are included in profit or loss from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition is recognised in the profit or loss.

(d) Leases

The Group as lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (iv) below).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(d) Leases (continued)

The Group as lessee (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay or to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(d) Leases (continued)

The Group as lessee (continued)

(iv) Reassessment of lease liabilities

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When adjustments to lease payments take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. Payments associated with these leases are recognised on a straight-line basis as an expense in profit or loss.

The Group as lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(d) Leases (continued)

The Group as lessor (continued)

(iii) Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iv) Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15.

(e) Depreciation

Depreciation is provided at rates, which are considered adequate to write-off the cost/revalued amount of property, plant and equipment less estimated residual value over their estimated useful lives. No depreciation is provided on freehold land. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The straight-line method is used to write-off the cost less estimated residual value of the other assets over the term of their estimated useful lives are summarised as follows:

| | |
|------------------------------|----------------|
| Freehold properties | 50 years |
| Leasehold properties | 20 - 101 years |
| Building and port structures | 20 - 50 years |
| Plant and machinery | 2 - 30 years |

Mining lease properties (freehold) are not depreciated.

Residual values, useful lives and depreciation method of assets are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

(f) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight-line basis over its estimated useful life as follows:

| | |
|-------------------|---------------|
| Building | 33 - 50 years |
| Leasehold land | 99 years |
| Land lease rental | 25 years |

No depreciation is provided for freehold land.

Capital work-in-progress ("CWIP") relates to assets under construction which are not amortised as these assets are not available for use.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(f) Investment properties (continued)

Investment properties are derecognised when it is permanently withdrawn from use and no further economic benefit is expected from its disposal or when they have been disposed. Any gain or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period in which they arise.

If an item of owner-occupied property becomes an investment property because its use has changed, the carrying amount of the property does not change.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view of sale, the property is transferred to inventories. The property's deemed cost for subsequent accounting as inventories is its fair value at the date of the change in use.

(g) Impairment of non-financial assets

Property, plant and equipment and other non-current assets (except for amounts due from subsidiaries, inventories, trade and other receivables, other investment, investment securities and deferred tax assets) are reviewed for impairment losses whenever events or changes in circumstances (for depreciable non-current assets) indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value-in-use ("VIU").

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell or its VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Investments

Investments in subsidiaries, joint arrangements and associates are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (g) on impairment of non-financial assets.

Amount due from subsidiary which repayment is not expected within the next 12 months is stated at cost less accumulated impairment losses if it is the intention of the Company to treat the amount as a long term source of capital to the subsidiary.

On disposal of an investment, the difference between net disposals proceed and its carrying amount is charged/credited to the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(i) Intangibles

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's shares of their net identifiable assets at the date of acquisition. Goodwill on acquisition of subsidiaries is stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

(ii) Rights on Water Treatment Business

The Rights on Water Treatment Business are based on the fair value of the remaining useful lives of the concession agreement entered by a subsidiary for the privatisation of the operations, maintenance and rehabilitation of water treatment plants in Johor Darul Takzim, less accumulated amortisation and any accumulated impairment losses. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period. In 2019, the Group had written off the Rights on Water Treatment Business as the concession period had ended.

(iii) Rights on Airport Business

The Rights on Airport Business represent the right of a subsidiary to provide airport services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the airport as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 30 October 2053.

(iv) Rights on Port Business

The Rights on Port Business represent the right of a subsidiary to provide port operation services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the port related infrastructure as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the useful lives of the concession period of 30 years.

(j) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value with cost being determined either on the first-in, first-out or weighted average cost basis depending on the type of inventories. Cost includes expenditure incurred in bringing the inventories to their present form and location. For work-in-progress and manufactured inventories, cost consists of materials, direct labour, other direct cost and an appropriate proportion of fixed and variable production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in the profit or loss.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(n) Government grants

Government grants are recognised initially at their fair value in the statement of financial position as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants relating to assets are deducted against the carrying amount of the assets

(o) Taxation

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax liabilities and/or assets are recognised, using the liability method, for all temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Investment tax allowances are treated as tax credit at inception.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised. Deferred tax liability in respect of asset revaluations is also recognised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(o) Taxation (continued)

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is not recognised if the temporary differences arise from goodwill or excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Tax rate enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

(p) Land lease received in advance

Land lease received in advance relates to deferred income from sub-leased land and is recognised as an income in the profit or loss equally over the period of the lease ranging from 16 to 60 years.

(q) Employee benefits

(i) Short-term employee benefits

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

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

The Group's contribution to statutory pension fund is charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(q) Employee benefits (continued)

(ii) Defined benefit plans (continued)

Net interest expense and other expenses relating to defined benefit plans are recognised in the profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Port and logistic operations

Revenue from port and logistic operations are recognised over the period in which the services are rendered and presented net of discount. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the port and logistics related services by the Group.

(ii) Construction contracts

Revenue from construction contracts is recognised over the period in which the services are rendered.

For fixed-price contracts, revenue is recognised under the percentage of completion method, measured by reference to surveys of work performed. Cost plus contracts, where reimbursements are made on costs incurred for works carried out on an agreed contract rate, are recognised as revenue attributed to the proportion of work done progressively over the duration of the contracts.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(iii) Airport activity

Income from airport activity includes income from aeronautical revenue and non-aeronautical. Aeronautical revenue mainly refers to landing and parking fees, passenger service charges and ground cargo service. Non-aeronautical revenue mainly refers to carpark revenue, utilities services, maintenance income and other retail income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(r) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(iii) Airport activity (continued)

Revenue from aeronautical is recognised at a point in time when the services are rendered and presented net of discounts. Non-aeronautical revenues are recognised over the period when services are rendered and presented net of discounts. The revenue is defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the airport related services by the Group.

(iv) Water treatment activity

Revenue from water treatment activities are recognised over the period in which the services are rendered. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided.

(v) Sale of property

Revenue from sale of property is recognised when control of the property has been transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. The revenue from sale of property is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue from other sources

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

(viii) Property lease

Property lease income is recognised on the accrual basis.

(s) Accounting for zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a subsidiary has been in operation for at least 12 months, i.e. for the period known as “haul”.

Zakat rates enacted or substantively enacted by the end of each reporting period are used to determine the zakat expense. The rate of zakat on business as determined by Zakat Authority under Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan is 2.5% of the zakat base. The zakat base is determined based on the adjusted working capital method or the profit before tax and zakat of eligible companies within the Group. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(t) Foreign currencies

(i) Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

(u) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or other financial assets from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(u) Financial instruments (continued)

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(2) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(3) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(u) Financial instruments (continued)

(iv) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(v) Impairment

Impairment for debt instrument

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Loans to subsidiaries (applicable in Company's separate financial statements only)
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group or the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 23 sets out the measurement details of ECL.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(u) Financial instruments (continued)

(v) Impairment (continued)

(ii) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 23 sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(u) Financial instruments (continued)

(v) Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

Financial instruments that are credit-impaired are assessed on individual basis.

Amount due from immediate holding company in the financial statements is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored individually.

(vi) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(vii) Hedge accounting

Cash flow hedge

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Financial Year Ended 31 December 2020 (Continued)

(u) Financial instruments (continued)

(vii) Hedge accounting (continued)

Cash flow hedge (continued)

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

(v) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition.

(w) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the working group consisting of Heads of Departments that makes strategic decisions.

(x) Non-current assets classified as assets held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed-off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale.

(y) Share capital

Proceeds from ordinary shares issued are accounted for as equity. Cost directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020

1 CORPORATE INFORMATION

The principal activities of the Company are investment holding, construction, mining and mineral exploration.

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 38 to the financial statements.

There are no significant changes in the nature of the activities of the Group and the Company during the financial year.

The ultimate holding company is Indra Cita Sdn. Bhd., a company incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Ground Floor, Wisma Budiman, Persiaran Raja Chulan, 50200, Kuala Lumpur.

The financial statements are expressed in thousands of Ringgit Malaysia unless otherwise stated.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 1 April 2021.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

The Group's and the Company's activities expose it to a variety of financial risks, including interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's and Company's overall financial risk management objective is to ensure that the Group and Company create value for its shareholders. The Group and Company focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group's and Company's financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group and Company use instruments such as foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

(i) Interest rate risk

The Group's and Company's interest rate risk arises from the Group's and Company's borrowings and deposits denominated in Ringgit Malaysia, and are managed through the use of fixed and floating rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

The Group and Company analyse its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group and Company calculate the impact on profit or loss of a defined interest rate shift.

A 0.25% increase/decrease of the weighted average rate of the Group's and the Company's borrowings and deposits, with all other variables held constant, would result in a decrease/increase of RM8 million (2019: RM8 million) and RM1.7 million (2019: RM1.7 million) respectively to the profit before tax and zakat.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(ii) Price risk

The Group and Company are exposed to market price risk because of investments held by the Group and Company and classified on the consolidated statement of financial position either at fair value through other comprehensive income or at fair value through profit or loss. The Group and Company are not exposed to commodity price risk.

The Group and Company are exposed to market price risk arising from its investment in equity of other entities that are publicly traded (Investment Securities) and investment in management fund (Other Investments).

The Group's and Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: Bursa Malaysia and Australian Securities Exchange.

As at reporting date, if the quoted prices of the Investment Securities had been 5% higher/lower, with all other variables held constant, the Group and the Company's equity for the year would have increased/decreased by RM2.2 million (2019: RM1.6 million) and RM2.1 million (2019: RM1.4 million) respectively.

As at reporting date, if the quoted prices of the Other Investments had been 0.25% higher/lower, with all other variables held constant, the Group and the Company's profit for the year would have increased/decreased by RM5.9 million (2019: RM3.3 million) and RM2.5 million (2019: RM1.8 million) respectively.

(iii) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group and Company seek to control credit risk by ensuring its customers have sound financial standing, credit history and requirement of collateral where necessary.

Analysis of the Group's and the Company's trade and other receivables is reflected in Note 23.

(iv) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The Group matches its consistent cash flows from its concession businesses, which are long term in nature, against its borrowings obligations.

In addition, the Group also maintains a certain level of deposits to ensure compliance with its borrowings requirements.

The Company meets its obligations with funds to be received in the form of dividends and distributions from its subsidiaries, associates and joint venture companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(iv) Liquidity and cash flow risk (continued)

The following table analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year RM'000 | Between 1 to 2 years RM'000 | Between 2 to 5 years RM'000 | After 5 years RM'000 | Total RM'000 |
|---|----------------------------|-----------------------------------|-----------------------------------|----------------------------|-----------------|
| Group | | | | | |
| <u>At 31 December 2020</u> | | | | | |
| Trade and other payables (excluding statutory obligations and land lease received in advance) | 1,566,454 | 32,212 | 44,977 | 14,000 | 1,657,643 |
| Lease liabilities | 204,925 | 254,573 | 431,809 | 3,742,594 | 4,633,901 |
| Borrowings: | | | | | |
| - fixed rate | 349,398 | 358,768 | 2,301,214 | 5,073,186 | 8,082,566 |
| - floating rate | 967,243 | 447,566 | 1,828,091 | 237,748 | 3,480,648 |
| | 1,316,641 | 806,334 | 4,129,305 | 5,310,934 | 11,563,214 |

At 31 December 2019

| | | | | | |
|---|-----------|---------|-----------|-----------|------------|
| Trade and other payables (excluding statutory obligations and land lease received in advance) | 1,483,237 | 62,569 | 59,285 | - | 1,605,091 |
| Dividend payable on redeemable preference shares | 16,674 | - | - | - | 16,674 |
| Lease liabilities | 179,491 | 168,568 | 459,668 | 3,748,335 | 4,556,062 |
| Borrowings: | | | | | |
| - fixed rate | 2,379,183 | 384,036 | 1,423,527 | 4,591,289 | 8,778,035 |
| - floating rate | 1,082,099 | 143,146 | 2,443,337 | 291,175 | 3,959,757 |
| | 3,461,282 | 527,182 | 3,866,864 | 4,882,464 | 12,737,792 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(iv) Liquidity and cash flow risk (continued)

| | Within 1 year RM'000 | Between 1 to 2 years RM'000 | Between 2 to 5 years RM'000 | After 5 years RM'000 | Total RM'000 |
|--|----------------------------|-----------------------------------|-----------------------------------|----------------------------|-----------------|
| Company | | | | | |
| <u>At 31 December 2020</u> | | | | | |
| Trade and other payables (excluding statutory obligations) | 185,188 | 20,354 | 25,635 | - | 231,177 |
| Amounts due to subsidiaries | 360,733 | - | - | - | 360,733 |
| Lease liabilities | 3,756 | 2,679 | 5,272 | - | 11,707 |
| Borrowings: | | | | | |
| - fixed rate | 123,034 | 123,306 | 696,389 | 2,030,414 | 2,973,143 |
| - floating rate | 601,698 | 115,126 | - | - | 716,824 |
| | 724,732 | 238,432 | 696,389 | 2,030,414 | 3,689,967 |
| <u>At 31 December 2019</u> | | | | | |
| Trade and other payables (excluding statutory obligations) | 205,598 | 37,754 | 28,085 | - | 271,437 |
| Amounts due to subsidiaries | 106,389 | - | - | - | 106,389 |
| Lease liabilities | 3,626 | 3,368 | 7,908 | - | 14,902 |
| Borrowings: | | | | | |
| - fixed rate | 502,551 | 123,034 | 461,826 | 2,388,283 | 3,475,694 |
| - floating rate | 593,273 | 21,585 | 116,030 | - | 730,888 |
| | 1,095,824 | 144,619 | 577,856 | 2,388,283 | 4,206,582 |

Details of borrowings are shown in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk management (continued)

(v) Hedging activities and liquidity risk

The following are cash flow hedge and the liquidity risk of the derivative assets and liabilities.

Cash flow hedge for asset acquisition

The Group has entered into forward exchange contracts to limit their exposure on foreign currency exchange risk in relation to the payments to the asset suppliers.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of year end relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

The following table indicates the periods in which the cash inflows/(outflows) associated with the forward exchange contracts are expected to occur and affect profit or loss:

| | Within 1 year RM'000 | Between 1 to 2 years RM'000 | Between 2 to 5 years RM'000 | After 5 years RM'000 | Total RM'000 |
|----------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------|-----------------|
| <u>2020</u> | | | | | |
| Forward exchange contracts | | | | | |
| - inflows | 182,367 | - | - | - | 182,367 |
| - outflows | (198,584) | - | - | - | (198,584) |
| <u>2019</u> | | | | | |
| Forward exchange contracts | | | | | |
| - inflows | 305,111 | - | - | - | 305,111 |
| - outflows | (308,289) | - | - | - | (308,289) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Capital risk management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company would be able to continue as a going concern while maximising returns to shareholders.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less deposits, bank and cash balances and other investments. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

The gearing ratios at 31 December 2020 and 2019 were as follows:

| | Note | Group | | Company | |
|----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Total borrowings | 28 | 9,771,271 | 10,380,919 | 2,829,805 | 3,191,713 |
| Less: | | | | | |
| Deposits, bank and cash balances | 25 | (451,236) | (1,074,646) | (71,503) | (48,997) |
| Other investments | 24 | (2,353,660) | (1,334,998) | (999,815) | (729,767) |
| Net debt | | 6,966,375 | 7,971,275 | 1,758,487 | 2,412,949 |
| Total equity | | 10,297,477 | 10,106,781 | 6,515,649 | 6,147,346 |
| Total capital | | 17,263,852 | 18,078,056 | 8,274,136 | 8,560,295 |
| Gearing ratio | | 40% | 44% | 21% | 28% |

Please refer to Note 28 for externally imposed financial covenants and capital structure. The Group and the Company have complied with all externally imposed financial covenants.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually being evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

(a) Goodwill impairment assessment

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of the Port Business and Airport Operations; CGUs respectively, were determined based on the VIU calculations. The calculations require the use of estimates and judgements as set out in Note 19(A) Port Business and Note 19(B)(a) Airport Operations to the financial statements.

(b) Estimation of the VIU of the CGU for Airport City

The estimation of the VIU of the CGU is based on a single combined business unit ("Airport City") consisting of Airport Operations and Property Development Land. The Directors are of the view that this will provide a more accurate description of the overall strategy of the sub-group, whereby all of the activities within various companies within the sub-group are elements of the overall strategic master plan to develop Senai Airport City.

(c) Income tax

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of investment tax allowance may arise during the estimation of the provision for income taxes between tax calculated at the reporting date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the reporting date. Where the final tax outcomes of these matters are different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:(continued)

(e) Impairment of claim receivable of a subsidiary, MMC International Holdings Ltd.

In determining whether the expected credit loss of claim receivable (included in other receivables of the Group) in respect of a discontinued involvement in a project in Middle East is recoverable, the debtor's ability to pay the amount claimed by the Group had been assessed. The impairment loss on the amount claimed requires judgements on the assumption of recoverability based on latest developments.

(f) Impairment assessment of investment in an associate

The Group holds investment in Malakoff Corporation Berhad ("Malakoff"), a public listed company on the Main Market of Bursa Malaysia, which is regarded as an associate to the Group. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, the recoverable amount based on the discounted cash flows of Malakoff's power plants and waste management concession business had been determined. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions such as variable operating rates, capacity factor and discount rate. For further details, please refer to Note 15.

4 REVENUE

| | Group | | Company | |
|--------------------------------------|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from contract with customers | 4,354,793 | 4,560,931 | 853,757 | 1,157,208 |
| Revenue from other sources: | | | | |
| - rental income | 137,459 | 150,665 | - | - |
| - dividend income | 496 | 200 | 654,397 | 518,844 |
| | 4,492,748 | 4,711,796 | 1,508,154 | 1,676,052 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

4 REVENUE (CONTINUED)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Breakdown of revenue from contracts with customers: | | | | |
| <u>Major goods and services</u> | | | | |
| Port and logistics operations: | | | | |
| - Container services | 2,145,345 | 2,047,170 | - | - |
| - Conventional cargo services | 322,168 | 303,810 | - | - |
| - Other services | 656,420 | 704,614 | - | - |
| Construction contracts | 1,147,602 | 1,427,738 | 853,757 | 1,157,208 |
| Airport operations | 20,692 | 56,233 | - | - |
| Water treatment services | 22,846 | 21,366 | - | - |
| Sale of property | 39,720 | - | - | - |
| | 4,354,793 | 4,560,931 | 853,757 | 1,157,208 |
| <u>Timing of revenue recognition</u> | | | | |
| - at a point in time | 56,636 | 56,233 | - | - |
| - over time | 4,298,157 | 4,504,698 | 853,757 | 1,157,208 |
| | 4,354,793 | 4,560,931 | 853,757 | 1,157,208 |

Information on contract assets and contract liabilities are disclosed in Note 33.

5 COST OF SALES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cost of port and logistics operations | 1,400,271 | 1,539,739 | - | - |
| Contract cost recognised as an expense | 982,702 | 1,257,174 | 738,533 | 1,031,905 |
| Cost of airport operations | 8,973 | 11,750 | - | - |
| Cost of water treatment services | 16,108 | 15,267 | - | - |
| Cost of property sales | 21,612 | - | - | - |
| | 2,429,666 | 2,823,930 | 738,533 | 1,031,905 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

6 FINANCE COSTS

| | Group | | Company | |
|------------------------|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Term loans | 97,954 | 182,870 | 4,813 | 9,771 |
| Sukuk | 316,945 | 298,263 | 139,490 | 141,910 |
| Lease liabilities | 132,508 | 131,133 | 589 | 689 |
| Accretion of interests | 44,951 | 18,975 | 602 | 599 |
| Others | 17,614 | 46,752 | 22,983 | 26,115 |
| | 609,972 | 677,993 | 168,477 | 179,084 |

7 PROFIT BEFORE ZAKAT AND TAXATION

| | Group | | Company | |
|---|---------|---------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (i) Profit before zakat and taxation is arrived at: | | | | |
| After charging: | | | | |
| Auditors' remuneration: | | | | |
| - statutory audit (PwC) | 1,556 | 1,621 | 355 | 366 |
| - audit related services (PwC) | 158 | 158 | 112 | 112 |
| - non-audit services (PwC) | - | 50 | - | 50 |
| Other auditors' remuneration: | | | | |
| - statutory audit (non-PwC) | 191 | 219 | 94 | 108 |
| - non-audit services (non-PwC) | 8 | 15 | - | - |
| Directors' fees (Note 7(ii)) | 1,820 | 2,052 | 1,272 | 1,272 |
| Depreciation of: | | | | |
| - property, plant and equipment (Note 11) | 668,983 | 627,112 | 99,736 | 88,849 |
| - investment properties (Note 12) | 18,062 | 8,982 | - | - |
| - rights-of-use assets (Note 13) | 160,241 | 131,323 | 3,140 | 3,141 |
| Amortisation of: | | | | |
| - rights on airport business (Note 19) | 4,195 | 4,195 | - | - |
| - rights on port business (Note 19) | 8,813 | 8,814 | - | - |
| Impairment of: | | | | |
| - trade and other receivables (Note 23) | 137,228 | 63,582 | 334 | - |
| - property, plant and equipment (Note 11) | 1,617 | - | - | - |
| Allowance for slow moving stocks (Note 21) | 5,603 | 16,463 | - | - |
| Service contract expense on plant and machinery | 126,501 | 136,687 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| (i) Profit before zakat and taxation is arrived at: (continued) | | | | |
| <u>After charging:</u> (continued) | | | | |
| Service contract expense on land and buildings | 21,493 | 22,985 | - | - |
| Write-off of property, plant and equipment | 15,645 | 5,789 | - | - |
| Staff costs (including Executive Directors' remuneration (Note 7(ii)): | | | | |
| - wages, salaries and bonuses | 661,886 | 668,788 | 34,000 | 42,620 |
| - defined contribution plan | 81,821 | 78,359 | 5,247 | 6,053 |
| - other employee benefits | 118,431 | 148,949 | 3,067 | 2,864 |
| Contributions to charitable organisations | 14,757 | 18,710 | 7,757 | 10,210 |
| Provision for retirement benefits (Note 30(b)) | 5,291 | 15,773 | - | - |
| <u>After crediting:</u> | | | | |
| Amortisation of deferred income (Note 31) | 25,408 | 29,755 | - | - |
| Income from subleasing of rights-of-use assets (Note 30(c)) | 6,552 | 8,757 | - | - |
| Rental income | 936 | 878 | 788 | 817 |
| Write-back of impairment of receivables (Note 23) | 13,986 | 6,308 | - | 1,432 |
| Interest income | 65,646 | 62,809 | 29,199 | 21,210 |
| Gross dividend income: | | | | |
| - subsidiaries: unquoted in Malaysia | - | - | 337,996 | 365,921 |
| - associates: quoted in Malaysia | - | - | 62,031 | 53,323 |
| - joint ventures: unquoted in Malaysia | - | - | 254,120 | 99,400 |
| - other investments: unquoted in Malaysia | 496 | 200 | 250 | 200 |
| Gain on disposal of: | | | | |
| - property, plant and equipment | 3,888 | 5,055 | 130 | 332 |
| - assets held for sale | 10,483 | 36,110 | - | 20,054 |
| - investment securities | 22 | - | - | - |
| Gain on derecognition of rights-of-use assets | 26,855 | 6,925 | - | - |
| Net oil spill compensation | 4,268 | 18,300 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(ii) Directors' remuneration:

The aggregate amount of emoluments received by Directors of the Company during the financial year is as follows:

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Directors of the Company</u> | | | | |
| Non-Executive Directors: | | | | |
| - fees | 1,820 | 2,052 | 1,272 | 1,272 |
| - other emoluments | 442 | 443 | 400 | 398 |
| - estimated monetary value of benefits-in-kind | 100 | 269 | 100 | 268 |
| Executive Director: | | | | |
| - salaries and other emoluments | 4,668 | 4,083 | 4,413 | 3,829 |
| - defined contribution plan | 751 | 651 | 751 | 651 |
| - estimated monetary value of benefits-in-kind | 172 | 167 | 167 | 166 |
| | 7,953 | 7,665 | 7,103 | 6,584 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

8 TAX EXPENSE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Malaysian income tax | | | | |
| Current tax: | | | | |
| - in respect of profit for the financial year | 97,436 | 53,487 | 25,701 | 19,089 |
| - under/(over) accrual in prior financial years (net) | 29,737 | 46,345 | (2,679) | - |
| | 127,173 | 99,832 | 23,022 | 19,089 |
| Deferred tax (Note 20): | | | | |
| - origination and reversal of temporary differences | 77,132 | 118,279 | 4,900 | (14,000) |
| | 204,305 | 218,111 | 27,922 | 5,089 |
| Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate | | | | |
| Profit before taxation and after zakat | 650,149 | 518,521 | 568,981 | 445,858 |
| Tax calculated at the applicable Malaysian tax rate of 24% (2019: 24%) | 156,036 | 124,445 | 136,555 | 107,006 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 66,983 | 88,896 | 35,852 | 35,695 |
| - income not subject to tax | (29,859) | (18,557) | (163,158) | (137,612) |
| - reversal of previously recognised deferred tax assets | 43,327 | 35,819 | - | - |
| - deferred tax expense not recognised during the financial year | 27,027 | 13,606 | 21,352 | - |
| - share of results of associates and joint ventures (net) | (88,946) | (72,443) | - | - |
| - under/(over) accrual in prior financial years (net) | 29,737 | 46,345 | (2,679) | - |
| Income tax expense | 204,305 | 218,111 | 27,922 | 5,089 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

9 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Profit attributable to ordinary equity holders of the Company | 375,295 | 255,166 |
| Weighted average number of ordinary shares in issue ('000) | 3,045,058 | 3,045,058 |
| Basic/diluted earnings per share (sen) | 12.3 | 8.4 |

Basic and diluted earnings per ordinary share are the same as there are no potential dilutive ordinary shares in issue.

10 DIVIDENDS

| | Group and Company | |
|--|--------------------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Dividends paid: | | |
| In respect of financial year ended 31 December 2018: | | |
| A final single-tier dividend of 4.0 sen per ordinary share on 3,045,058,552 ordinary shares paid on 26 June 2019 | - | 121,802 |
| In respect of financial year ended 31 December 2019: | | |
| A final single-tier dividend of 4.5 sen per ordinary share on 3,045,058,552 ordinary shares paid on 26 June 2020 | 137,028 | - |
| In respect of financial year ended 31 December 2020: | | |
| A dividend of 1.5 sen per ordinary share on 3,045,058,552 ordinary shares paid on 23 December 2020 | 45,676 | - |
| | 182,704 | 121,802 |

On 1 April 2021, the Board of Directors has approved and declared a dividend of 3.5 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM106,577,049 in respect of the financial year ended 31 December 2020. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

11 PROPERTY, PLANT AND EQUIPMENT

| Group | Note | Freehold properties RM'000 | Building and port structures RM'000 | Mining leases properties RM'000 | Plant and machinery RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|------|-------------------------------|--|------------------------------------|-------------------------------|------------------------------------|-----------------|
| <u>Cost</u> | | | | | | | |
| At 1 January 2020 | | 100,336 | 6,730,957 | 44 | 5,568,654 | 176,982 | 12,576,973 |
| Disposals | | - | (211) | - | (37,420) | - | (37,631) |
| Additions | | - | 10,588 | - | 448,752 | 371,299 | 830,639 |
| Reclassifications | | - | 182,760 | - | 170,270 | (353,030) | - |
| Reclassification to rights-of-use assets | 13 | - | (93,119) | - | (25,044) | - | (118,163) |
| Reclassification to assets held for sale | 22 | - | - | - | (9,912) | - | (9,912) |
| Reclassification to investment properties | 12 | - | (288,338) | - | (1,366) | - | (289,704) |
| Write-off | | - | (11,761) | - | (96,521) | (2,333) | (110,615) |
| At 31 December 2020 | | 100,336 | 6,530,876 | 44 | 6,017,413 | 192,918 | 12,841,587 |
| <u>Accumulated depreciation</u> | | | | | | | |
| At 1 January 2020 | | (1,336) | (1,391,027) | - | (2,411,421) | - | (3,803,784) |
| Depreciation | | (38) | (174,118) | - | (494,827) | - | (668,983) |
| Disposals | | - | 54 | - | 36,968 | - | 37,022 |
| Reclassification to rights-of-use assets | 13 | - | 42,948 | - | 23,756 | - | 66,704 |
| Reclassification to assets held for sale | 22 | - | - | - | 4,043 | - | 4,043 |
| Reclassification to investment properties | 12 | - | 49,410 | - | 958 | - | 50,368 |
| Write-off | | - | 9,737 | - | 85,233 | - | 94,970 |
| At 31 December 2020 | | (1,374) | (1,462,996) | - | (2,755,290) | - | (4,219,660) |
| <u>Accumulated impairment losses</u> | | | | | | | |
| At 1 January 2020 | | - | (1,348) | - | (4,046) | - | (5,394) |
| Impairment loss | | - | - | - | (1,617) | - | (1,617) |
| Reclassification to rights-of-use assets | 13 | - | 1,110 | - | - | - | 1,110 |
| Reclassification to assets held for sale | 22 | - | - | - | 1,140 | - | 1,140 |
| At 31 December 2020 | | - | (238) | - | (4,523) | - | (4,761) |
| <u>Net book value</u> | | | | | | | |
| 31 December 2020 | | 98,962 | 5,067,642 | 44 | 3,257,600 | 192,918 | 8,617,166 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Note | Freehold properties RM'000 | Leasehold properties RM'000 | Building and port structures RM'000 | Mining leases properties RM'000 | Plant and machinery RM'000 | Capital work in progress RM'000 | Total RM'000 |
|--|------|-------------------------------|--------------------------------|--|------------------------------------|-------------------------------|------------------------------------|-----------------|
| <u>Cost</u> | | | | | | | | |
| At 1 January 2019 | | 100,336 | 14,123 | 6,608,844 | 44 | 4,981,862 | 443,851 | 12,149,060 |
| Disposals | | - | - | (6,534) | - | (63,282) | (12) | (69,828) |
| Additions | | - | - | 555 | - | 142,225 | 423,479 | 566,259 |
| Reclassifications | | - | - | 137,008 | - | 552,116 | (689,124) | - |
| Reclassification to investment properties | 12 | - | (14,123) | (26,803) | - | - | - | (40,926) |
| Reclassification from intangible assets | 19 | - | - | 5,130 | - | - | - | 5,130 |
| Reclassification to assets held for sale | 22 | - | - | - | - | (11,976) | - | (11,976) |
| Reclassification from assets held for sale | 22 | - | - | 19,727 | - | - | - | 19,727 |
| Write-off | | - | - | (6,970) | - | (32,291) | (1,212) | (40,473) |
| At 31 December 2019 | | 100,336 | - | 6,730,957 | 44 | 5,568,654 | 176,982 | 12,576,973 |
| <u>Accumulated depreciation</u> | | | | | | | | |
| At 1 January 2019 | | (1,288) | (455) | (1,224,936) | - | (2,038,875) | - | (3,265,554) |
| Depreciation | | (48) | - | (164,055) | - | (463,009) | - | (627,112) |
| Disposals | | - | - | 1,609 | - | 57,256 | - | 58,865 |
| Reclassification to investment properties | 12 | - | 455 | 1,971 | - | - | - | 2,426 |
| Reclassification from intangible assets | 19 | - | - | (224) | - | - | - | (224) |
| Reclassification to assets held for sale | 22 | - | - | - | - | 3,885 | - | 3,885 |
| Reclassification from assets held for sale | 22 | - | - | (10,754) | - | - | - | (10,754) |
| Write-off | | - | - | 5,362 | - | 29,322 | - | 34,684 |
| At 31 December 2019 | | (1,336) | - | (1,391,027) | - | (2,411,421) | - | (3,803,784) |
| <u>Accumulated impairment losses</u> | | | | | | | | |
| At 1 January 2019/ 31 December 2019 | | - | - | (1,348) | - | (4,046) | - | (5,394) |
| <u>Net book value</u> | | | | | | | | |
| 31 December 2019 | | 99,000 | - | 5,338,582 | 44 | 3,153,187 | 176,982 | 8,767,795 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold properties RM'000 | Mining leases properties RM'000 | Plant, machinery and equipment RM'000 | Total RM'000 |
|--------------------------------------|----------------------------------|--|---|-----------------|
| <u>Cost</u> | | | | |
| At 1 January 2020 | 826 | 44 | 229,639 | 230,509 |
| Additions | - | - | 7,721 | 7,721 |
| Disposals | - | - | (1,129) | (1,129) |
| At 31 December 2020 | 826 | 44 | 236,231 | 237,101 |
| <u>Accumulated depreciation</u> | | | | |
| At 1 January 2020 | - | - | (118,236) | (118,236) |
| Depreciation | - | - | (99,736) | (99,736) |
| Disposals | - | - | 1,016 | 1,016 |
| At 31 December 2020 | - | - | (216,956) | (216,956) |
| <u>Accumulated impairment losses</u> | | | | |
| At 1 January 2020/31 December 2020 | - | - | (413) | (413) |
| <u>Net book value</u> | | | | |
| At 31 December 2020 | 826 | 44 | 18,862 | 19,732 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold properties RM'000 | Mining leases properties RM'000 | Plant, machinery and equipment RM'000 | Capital work in progress RM'000 | Total RM'000 |
|--------------------------------------|----------------------------------|--|---|--|-----------------|
| <u>Cost</u> | | | | | |
| At 1 January 2019 | 826 | 44 | 57,775 | 140,739 | 199,384 |
| Additions | - | - | 4,178 | 33,300 | 37,478 |
| Disposals | - | - | (6,353) | - | (6,353) |
| Reclassification | - | - | 174,039 | (174,039) | - |
| At 31 December 2019 | 826 | 44 | 229,639 | - | 230,509 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January 2019 | - | - | (35,711) | - | (35,711) |
| Depreciation | - | - | (88,849) | - | (88,849) |
| Disposals | - | - | 6,324 | - | 6,324 |
| At 31 December 2019 | - | - | (118,236) | - | (118,236) |
| <u>Accumulated impairment losses</u> | | | | | |
| At 1 January 2019/31 December 2019 | - | - | (413) | - | (413) |
| <u>Net book value</u> | | | | | |
| At 31 December 2019 | 826 | 44 | 110,990 | - | 111,860 |

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Net book value of property, plant and equipment pledged as security for borrowings | 4,185,182 | 3,988,480 |

Included in the property, plant and equipment of the Group is interest capitalised during the financial year at a rate ranging from 3.2% to 6.2% per annum (2019: 4.5% to 5.9%) amounting to RM13.1 million (2019 RM6.6 million).

The Group leases some of its building and port infrastructure to third parties and earns rental income over the lease period which is short term in nature. The credit terms of the rental income vary from 30 to 60 days. The rental income is disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

12 INVESTMENT PROPERTIES

| Group | Land lease rental RM'000 | Leasehold properties and related improvement RM'000 | Freehold properties RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---|--------------------------------|---|----------------------------------|--|-----------------|
| <u>Cost</u> | | | | | |
| At 1 January 2020 | 54,192 | 977,764 | 292,504 | 295,229 | 1,619,689 |
| Additions | 503 | 15,230 | - | 145,196 | 160,929 |
| Facilitation fund* | - | - | - | (165,550) | (165,550) |
| Reclassification from property, plant and equipment (Note 11) | 18,050 | 271,654 | - | - | 289,704 |
| Reclassification from rights-of-use assets (Note 13) | - | 126,723 | - | - | 126,723 |
| Reclassification to inventories (Note 21) | - | (962,179) | - | (274,875) | (1,237,054) |
| Derecognition during the financial year | (1,085) | - | - | - | (1,085) |
| At 31 December 2020 | 71,660 | 429,192 | 292,504 | - | 793,356 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January 2020 | (18,011) | (96,495) | (8,454) | - | (122,960) |
| Depreciation | (450) | (16,977) | (635) | - | (18,062) |
| Reclassification from property, plant and equipment (Note 11) | (7,491) | (42,877) | - | - | (50,368) |
| Reclassification from rights-of-use assets (Note 13) | - | (29,022) | - | - | (29,022) |
| Reclassification to inventories (Note 21) | - | 101,375 | - | - | 101,375 |
| At 31 December 2020 | (25,952) | (83,996) | (9,089) | - | (119,037) |
| <u>Accumulated impairment losses</u> | | | | | |
| At 1 January 2020/31 December 2020 | - | - | (888) | - | (888) |
| <u>Net book value</u> | | | | | |
| At 31 December 2020 | 45,708 | 345,196 | 282,527 | - | 673,431 |
| <u>Fair value</u> | | | | | |
| At 31 December 2020 | 139,040 | 729,327 | 647,970 | - | 1,516,337 |

* Government grant received during the current financial year in the form of facilitation fund.

During the current financial year, certain investment properties were reclassified to inventories to reflect the change in use of the properties.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

12 INVESTMENT PROPERTIES (CONTINUED)

| | Land lease rental RM'000 | Leasehold properties and related improvement RM'000 | Freehold properties RM'000 | Capital work in progress RM'000 | Total RM'000 |
|--|--------------------------------|---|----------------------------------|--|-----------------|
| Group | | | | | |
| <u>Cost</u> | | | | | |
| At 1 January 2019 | 54,192 | 946,673 | 292,504 | 161,506 | 1,454,875 |
| Additions | - | 466 | - | 133,723 | 134,189 |
| Reclassification from property, plant and equipment (Note 11) | - | 40,926 | - | - | 40,926 |
| Reclassification to assets held for sale (Note 22) | - | (10,301) | - | - | (10,301) |
| At 31 December 2019 | 54,192 | 977,764 | 292,504 | 295,229 | 1,619,689 |
| <u>Accumulated depreciation</u> | | | | | |
| At 1 January 2019 | (16,989) | (87,645) | (7,793) | - | (112,427) |
| Depreciation | (1,022) | (7,299) | (661) | - | (8,982) |
| Reclassification from property, plant and equipment (Note 11) | - | (2,426) | - | - | (2,426) |
| Reclassification to assets held for sale (Note 22) | - | 875 | - | - | 875 |
| At 31 December 2019 | (18,011) | (96,495) | (8,454) | - | (122,960) |
| <u>Accumulated impairment losses</u> | | | | | |
| At 1 January 2019/ 31 December 2019 | - | - | (888) | - | (888) |
| <u>Net book value</u> | | | | | |
| At 31 December 2019 | 36,181 | 881,269 | 283,162 | 295,229 | 1,495,841 |
| <u>Fair value</u> | | | | | |
| At 31 December 2019 | 36,181 | 2,599,832 | 437,034 | 295,229 | 3,368,276 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

12 INVESTMENT PROPERTIES (CONTINUED)

The fair value as at 31 December 2020 and 31 December 2019, excluding capital work in progress which is valued based on actual transacted cost, were conducted by qualified professional valuers who have recent experience in location and category of the property being valued, based on the market comparable approach that reflects the recent transactions prices for the similar properties and are within level 2 of the fair value hierarchy as described in Note 39.

| | Group | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Net book value of investment properties pledged as security for borrowings | - | 1,146,672 |

Rental income generated from and direct operating expenses incurred on investment properties are as follows:

| | Group | |
|---------------------------|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Rental income | 63,811 | 11,443 |
| Direct operating expenses | 24,408 | 582 |

Included in the investment properties of the Group is interest capitalised during the financial year at a rate ranging from 3.30% to 5.40% per annum (2019: 5.00% to 5.49% per annum) amounting to RM11.8 million (2019: RM14.4 million).

Certain investment properties of the Group are leased to tenants under operating leases. Lease receivables for investment properties with carrying amount of RM85.9 million (2019: RM878.9 million) had been prepaid in full for the full tenure of the lease as disclosed in Note 30(c). Rentals on investment properties with carrying amount of RM257.1 million (2019: RM24.8 million) are payable on a monthly basis and the maturity analysis of rental receivables are as follows:

| | Group | |
|---------------------------|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Rental receivables | | |
| Within 1 year | 35,505 | 2,653 |
| Between 1 to 5 years | 11,171 | 1,650 |
| More than 5 years | 8,924 | - |
| | 55,600 | 4,303 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

13 RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

(a) Rights-of-use assets

| Group | Land lease and building rental RM'000 | Machinery and equipment rental RM'000 | Leasehold land and building RM'000 | Motor vehicle rental RM'000 | Total RM'000 |
|--|---|---|---|--------------------------------------|-----------------|
| At 1 January 2020 | 1,574,937 | 160,887 | 350,973 | 1,111 | 2,087,908 |
| Additions | 44,375 | 75,763 | 4,184 | 244 | 124,566 |
| Depreciation | (86,026) | (64,604) | (8,753) | (858) | (160,241) |
| Reclassification | (2,959) | (150) | 3,109 | - | - |
| Reclassification from property, plant and equipment (Note 11) | 3,585 | 1,014 | 45,750 | - | 50,349 |
| Reclassification to assets held for sale (Note 22) | - | - | (214) | - | (214) |
| Reclassification to investment properties (Note 12) | (26,504) | - | (71,197) | - | (97,701) |
| Derecognition* | (837) | (820) | (9,539) | - | (11,196) |
| At 31 December 2020 | 1,506,571 | 172,090 | 314,313 | 497 | 1,993,471 |
| At 1 January 2019 | 1,626,484 | 147,832 | 221,859 | 370 | 1,996,545 |
| Additions | 17,281 | 64,648 | 1,779 | 1,294 | 85,002 |
| Depreciation | (67,660) | (51,593) | (11,517) | (553) | (131,323) |
| Reclassification from assets held for sale (Note 23) | - | - | 138,852 | - | 138,852 |
| Derecognition* | (1,168) | - | - | - | (1,168) |
| At 31 December 2019 | 1,574,937 | 160,887 | 350,973 | 1,111 | 2,087,908 |

* Derecognition of the rights-of-use assets during the financial year is mainly as a result of entering into a finance sublease and sale of leasehold land and building.

The Group leases various land and buildings, machinery and equipment and motor vehicle. Rental contracts for land and building ranges from 2 years to 99 years, whilst rental for other assets ranges from 2 years to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants. There are no variable payment terms on the above leases. Extension and termination options are included in a number of equipment leases across the Group. The individual terms and conditions used vary across the Group. In cases in which the Group is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. There is no revision in lease terms during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

13 RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Rights-of-use assets (continued)

The Company has lease contracts for office spaces with the contract terms ranging from 2 to 6 years.

| Company | Building rental RM'000 | Leasehold land RM'000 | Total RM'000 |
|---------------------|---------------------------------------|--------------------------------------|-------------------------|
| At 1 January 2020 | 12,630 | 1,191 | 13,821 |
| Addition | 478 | - | 478 |
| Depreciation | (3,122) | (18) | (3,140) |
| At 31 December 2020 | 9,986 | 1,173 | 11,159 |
| At 1 January 2019 | - | 1,209 | 1,209 |
| Addition | 15,753 | - | 15,753 |
| Depreciation | (3,123) | (18) | (3,141) |
| At 31 December 2019 | 12,630 | 1,191 | 13,821 |

(b) Lease liabilities

| | Group | | Company | |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| At 1 January | 2,262,632 | 2,237,236 | 12,817 | - |
| Addition | 130,198 | 85,002 | 478 | 15,753 |
| Interest charged | 132,508 | 131,133 | 589 | 689 |
| Payment | (210,636) | (168,877) | (3,546) | (3,625) |
| Adjustment | - | (21,862) | - | - |
| At 31 December | 2,314,702 | 2,262,632 | 10,338 | 12,817 |
| Analysed as follows: | | | | |
| Current | 141,844 | 147,351 | 3,320 | 2,925 |
| Non-current | 2,172,858 | 2,115,281 | 7,018 | 9,892 |
| | 2,314,702 | 2,262,632 | 10,338 | 12,817 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

14 INVESTMENTS IN SUBSIDIARIES

| | | Company | |
|--|-------|----------------|----------------|
| | Note | 2020 RM'000 | 2019 RM'000 |
| At cost: | | | |
| Unquoted shares | | 6,178,107 | 6,178,107 |
| Redeemable convertible preference shares | 14(b) | 1,731,342 | 1,636,698 |
| Less: accumulated impairment losses | | (11,245) | (11,245) |
| Total | | 7,898,204 | 7,803,560 |

Details of the Group's subsidiaries are shown in Note 38.

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

| | Pelabuhan Tanjung Pelepas Sdn. Bhd. RM'000 | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
|--|--|---|-----------------|
| 2020 | | | |
| NCI percentage of ownership interest and voting interest | 30.0% | | |
| Carrying amount of NCI | 752,356 | 34,842 | 787,198 |
| Profit allocated to NCI | 68,720 | 1,829 | 70,549 |
| Dividends paid to NCI of the Group | 45,604 | 1,819 | 47,423 |
| 2019 | | | |
| NCI percentage of ownership interest and voting interest | 30.0% | | |
| Carrying amount of NCI | 729,242 | 33,509 | 762,751 |
| Profit allocated to NCI | 42,338 | 2,906 | 45,244 |
| Dividends paid to NCI of the Group | 30,602 | 4,796 | 35,398 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

The summarised financial statements before intra-group elimination of the Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | Pelabuhan Tanjung Pelepas Sdn. Bhd. | |
|--|--|------------------------|
| | 2020 RM'000 | 2019 RM'000 |
| NCI percentage of ownership interest and voting interest | 30.0% | 30.0% |
| <u>As at 31 December</u> | | |
| Non-current assets | 4,810,730 | 4,689,426 |
| Current assets | 1,014,410 | 920,168 |
| Non-current liabilities | (2,683,160) | (1,252,324) |
| Current liabilities | (654,554) | (1,944,864) |
| Net assets | 2,487,426 | 2,412,406 |
| <u>Year ended 31 December</u> | | |
| Revenue | 1,479,181 | 1,320,523 |
| Profit for the financial year | 228,524 | 138,941 |
| Total comprehensive income | 225,630 | 137,861 |
| Cash flows generated from operating activities | 733,895 | 552,851 |
| Cash flows used in investing activities | (318,091) | (171,426) |
| Cash flows used in financing activities | (310,446) | (337,726) |
| Net change in cash and cash equivalents | 105,358 | 43,699 |

- (b) Redeemable convertible preference shares ("RCPS")

During the current financial year, the Company subscribed to RCPS of RM112.3 million (2019: RM281.1 million) issued by its subsidiaries by capitalisation of the amounts due from subsidiaries to strengthen the issuers' capital base. Certain subsidiaries had redeemed RCPS of RM17.6 million (2019: RM217.1 million) during the current financial year, of which RM17.6 million (2019: RM6.0 million) was made via cash and RM nil (2019: RM211.1 million) via intercompany settlement.

The main features of the RCPS are as follows:

- (i) The issuers shall be at liberty to redeem the RCPS at the RCPS Issue Price at any time during the tenure of the RCPS by giving the holders of the RCPS notice of not less than 7 business days or less as may be agreed in writing by the RCPS holders.
- (ii) The issuers shall have the discretion to decide whether to declare any dividends to the holders of RCPS at a rate to be determined by the Board of Directors from time to time. Such right to dividend shall be non-cumulative.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Redeemable convertible preference shares ("RCPS") (continued)

The main features of the RCPS are as follows: (continued)

- (iii) The tenure of the RCPS shall be twenty (20) years commencing from and including the RCPS issue date. The RCPS will be convertible into one (1) ordinary shares of RM1.00 in the issuers company ("Ordinary Shares") per one (1) unit of RCPS at anytime during the tenure of the RCPS. Any RCPS that are still not converted or redeemed at the end of the tenure will be automatically converted into new shares.
- (iv) Prior to the conversion of the RCPS, the RCPS holder will not have the right to vote at any general meeting of the issuers unless the meeting is convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the principal undertakings or business(es) of the issuers or where the proposition to be submitted to the meeting directly affects the rights of the holders of the RCPS.
- (v) The RCPS shall rank in priority to the ordinary shares of the issuers and shall be entitled to receive in priority to any distribution or payment to be made in favour of the holder of ordinary shares in the issuers, repayment in full of the Issue Amount of the RCPS in the event of the winding-up/liquidation of the issuers.

15 INTERESTS IN ASSOCIATES

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Unquoted shares, at cost | 127,756 | 128,870 | - | - |
| Shares quoted in Malaysia, at cost | 4,253,041 | 4,253,041 | 882,293 | 882,293 |
| Share of post-acquisition reserves | (47,980) | 564 | - | - |
| Interests in associates | 4,332,817 | 4,382,475 | 882,293 | 882,293 |
| Market value of quoted associates: | | | | |
| Shares quoted in Malaysia | 2,762,065 | 2,727,004 | 803,438 | 780,995 |

Details of the Group's associates and the accounting periods used for applying the equity method of accounting for the associates' results are shown in Note 38.

The diminution in market value of Malakoff Corporation Berhad ("Malakoff"), an associate quoted in Malaysia, does not represent an impairment to the carrying amount as stated above. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, management had determined the recoverable amount based on the discounted cash flows of Malakoff's power plants and waste management concession business. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions.

The key assumptions used for the discounted cash flows are as follows:

- (a) Capacity factor of power plants: 5% to 85% (2019: 30% to 77%);
- (b) Projected revenue growth for waste management concession at 2% until the end of concession in 2033 with anticipated tariff revision in 2022 and 2026; and
- (c) Discount rate used is 6.9% (2019: 7.4%).

Based on the assessment, the recoverable amount is higher than carrying value as at reporting date.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the interest in associate to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

15 INTERESTS IN ASSOCIATES (CONTINUED)

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

| | 2020 | | |
|---|---|-------------------------------------|--|
| | Malakoff Corporation Berhad RM'000 | Gas Malaysia Berhad RM'000 | Red Sea Gateway Terminal Company Limited RM'000 |
| Summarised financial information | | | |
| Effective percentage of ownership interest | 37.6% | 30.9% | 20.0% |
| <u>As at 31 December</u> | | | |
| Non-current assets | 20,763,989 | 3,389,933 | 1,800,181 |
| Current assets | 6,064,307 | 1,102,112 | 367,562 |
| Non-current liabilities | (2,977,564) | (1,260,408) | (320,642) |
| Current liabilities | (14,766,480) | (298,223) | (759,254) |
| Net assets | 9,084,252 | 2,933,414 | 1,087,847 |
| Non-controlling interests (NCI) | (336,802) | - | - |
| Perpetual sukuk | (800,000) | - | - |
| Net assets (excluding NCI) | 7,947,450 | 2,933,414 | 1,087,847 |
| <u>Year ended 31 December</u> | | | |
| Profit for the financial year | 330,069 | 212,622 | 221,702 |
| Non-controlling interests | (43,488) | - | - |
| Profit for the financial year (excluding NCI) | 286,581 | 212,622 | 221,702 |
| Other comprehensive loss | (103,682) | (1,585) | (7,862) |
| Total comprehensive income (excluding NCI) | 182,899 | 211,037 | 213,840 |
| Revenue | 6,276,763 | 6,686,868 | 652,965 |
| Depreciation and amortisation | (1,209,900) | (87,289) | (110,992) |
| Interest income | 173,121 | 12,451 | - |
| Interest expense | (744,696) | (17,223) | (32,539) |
| Income tax and zakat expense | (114,530) | (74,721) | (32,655) |
| Fair value based on hierarchy level 1 | 1,681,738 | 1,080,327 | |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

15 INTERESTS IN ASSOCIATES (CONTINUED)

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

| | 2020 | | | | |
|--|---|-------------------------------------|--|---|-----------------|
| | Malakoff Corporation Berhad RM'000 | Gas Malaysia Berhad RM'000 | Red Sea Gateway Terminal Company Limited RM'000 | Other individually immaterial associates RM'000 | Total RM'000 |
| <u>Reconciliation of net assets to carrying amount:</u> | | | | | |
| Effective percentage of ownership interest | 37.6% | 30.9% | 20.0% | | |
| <u>As at 31 December</u> | | | | | |
| Group's share of net assets (excluding NCI) | 2,988,241 | 907,385 | 217,569 | 7,675 | 4,120,870 |
| #Adjustments | 239,565 | (274) | (27,344) | - | 211,947 |
| Investments in associates | 3,227,806 | 907,111 | 190,225 | 7,675 | 4,332,817 |
| <u>Group's share of results</u> | | | | | |
| <u>Year ended 31 December</u> | | | | | |
| Group's share of net profit for the financial year (excluding NCI) | 107,755 | 65,770 | 44,340 | 1,100 | 218,965 |
| Adjustments | (16,088) | - | (26,903) | - | (42,991) |
| Group's share of other comprehensive loss | (29,093) | (490) | (1,511) | - | (31,094) |
| Group's share of total comprehensive income | 62,574 | 65,280 | 15,926 | 1,100 | 144,880 |
| <u>Other information</u> | | | | | |
| Gross dividends received by the Group | 129,841 | 53,818 | 10,363 | - | 194,022 |

Note:

Adjustments primarily relate to goodwill and foreign exchange difference

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

15 INTERESTS IN ASSOCIATES (CONTINUED)

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

| | 2019 | | |
|---|---|-------------------------------------|--|
| | Malakoff Corporation Berhad RM'000 | Gas Malaysia Berhad RM'000 | Red Sea Gateway Terminal Company Limited RM'000 |
| Summarised financial information | | | |
| Effective percentage of ownership interest | 37.6% | 30.9% | 20.0% |
| <u>As at 31 December</u> | | | |
| Non-current assets | 21,367,271 | 3,386,558 | 1,740,117 |
| Current assets | 7,832,195 | 1,088,810 | 319,483 |
| Non-current liabilities | (16,362,206) | (358,224) | (730,865) |
| Current liabilities | (3,546,253) | (1,220,785) | (398,741) |
| Net assets | 9,291,007 | 2,896,359 | 929,994 |
| Non-controlling interests (NCI) | (368,905) | - | - |
| Perpetual sukuk | (800,000) | - | - |
| Net assets (excluding NCI) | 8,122,102 | 2,896,359 | 929,994 |
| <u>Year ended 31 December</u> | | | |
| Profit for the financial year | 374,686 | 190,105 | 44,499 |
| Non-controlling interests | (54,533) | - | - |
| Profit for the financial year (excluding NCI) | 320,153 | 190,105 | 44,499 |
| Other comprehensive (loss)/income | (143,736) | 6,458 | (20,726) |
| Total comprehensive income (excluding NCI) | 176,417 | 196,563 | 23,773 |
| Revenue | 7,422,272 | 6,886,453 | 487,475 |
| Depreciation and amortisation | (1,180,500) | (79,160) | (135,175) |
| Interest income | 235,400 | 4,234 | - |
| Interest expense | (926,300) | (15,366) | (48,841) |
| Income tax expense | (156,218) | (48,540) | (8,460) |
| Fair value based on hierarchy level 1 | 1,634,762 | 1,092,242 | |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

15 INTERESTS IN ASSOCIATES (CONTINUED)

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

| | | | | | 2019 |
|--|---|-------------------------------------|--|---|-----------------|
| | Malakoff Corporation Berhad RM'000 | Gas Malaysia Berhad RM'000 | Red Sea Gateway Terminal Company Limited RM'000 | Other individually immaterial associates RM'000 | Total RM'000 |
| <u>Reconciliation of net assets to carrying amount:</u> | | | | | |
| Effective percentage of ownership interest | 37.6% | 30.9% | 20.0% | | |
| <u>As at 31 December</u> | | | | | |
| Group's share of net assets (excluding NCI) | 3,053,910 | 894,975 | 185,999 | 6,575 | 4,141,459 |
| #Adjustments | 241,163 | 673 | (820) | - | 241,016 |
| Investments in associates | 3,295,073 | 895,648 | 185,179 | 6,575 | 4,382,475 |
| <u>Group's share of results</u> | | | | | |
| <u>Year ended 31 December</u> | | | | | |
| Group's share of net profit for the financial year (excluding NCI) | 120,378 | 58,803 | 8,900 | 236 | 188,317 |
| Adjustments | (19,224) | - | (1,323) | 1 | (20,546) |
| Group's share of other comprehensive (loss)/ income | (54,017) | 1,996 | (4,117) | - | (56,138) |
| Group's share of total comprehensive income | 47,137 | 60,799 | 3,460 | 237 | 111,633 |
| <u>Other information</u> | | | | | |
| Gross dividends received by the Group | 111,614 | 54,811 | - | - | 166,425 |

Note:

Adjustments primarily relate to goodwill and foreign exchange difference

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS

All the Group's joint arrangements have a financial year ending 31 December, which is consistent with the Group.

Investments in joint ventures

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At cost: | | | | |
| Unquoted shares, in Malaysia | 189,547 | 190,047 | 21,881 | 21,881 |
| Share of post-acquisition reserves | 86,502 | 142,990 | - | - |
| | 276,049 | 333,037 | 21,881 | 21,881 |

Details of the Group's joint ventures are shown in Note 38.

The Group has applied the equity method of accounting consistently for all joint ventures within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles to the carrying amount of the Group's interest in the joint ventures:

| | 2020 | | |
|---|--|---|---|
| | MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000 | Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000 |
| Summarised financial information | | | |
| Effective percentage of ownership interest | 50.0% | 50.0% | 50.0% |
| <u>As at 31 December</u> | | | |
| Non-current assets | 1,297,322 | 627,221 | 376,652 |
| Current assets | 2,931,568 | 586,105 | 48,683 |
| Non-current liabilities | (1,167,064) | (6,565) | (304,962) |
| Current liabilities | (2,884,858) | (989,445) | (44,773) |
| Deposits, cash and bank balances | 371,750 | 200,759 | 46,989 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | - | - | 304,962 |
| Current financial liabilities (excluding trade and other payables and provisions) | - | - | 10,000 |
| <u>Year ended 31 December</u> | | | |
| Net profit/(loss)/total comprehensive income/(expense) for the financial year | 350,257 | 64,499 | (10,684) |
| <u>Included in the net profit/(loss)/total comprehensive income/(expense) is:</u> | | | |
| Revenue | 5,412,437 | 1,704,352 | 23,703 |
| Depreciation and amortisation | (5,580) | (12,472) | (945) |
| Interest income | 29,468 | 3,780 | 993 |
| Interest expense | - | - | (18,493) |
| Income tax expense | (107,065) | (11,664) | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles to the carrying amount of the Group's interest in the joint ventures: (continued)

| | | | | | 2020 |
|--|--|---|--|--|-----------------|
| | MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000 | Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000 | Other individually immaterial joint ventures RM'000 | Total RM'000 |
| <u>Reconciliation of net assets to carrying amount:</u> | | | | | |
| Effective percentage of ownership interest | 50.0% | 50.0% | 50.0% | | |
| <u>As at 31 December</u> | | | | | |
| Group's share of net assets/carrying amount in the statement of financial position | 88,484 | 108,661 | 21,848 | 57,056 | 276,049 |
| <u>Group's share of results</u> | | | | | |
| <u>Year ended 31 December</u> | | | | | |
| Group's share of profit/(loss) for the financial year | 175,129 | 32,249 | (5,342) | (7,404) | 194,632 |
| <u>Other information:</u> | | | | | |
| Distribution received | 251,120 | - | - | - | 251,120 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles to the carrying amount of the Group's interest in the joint ventures: (continued)

| | 2019 | | | |
|---|--|--|---|---|
| | MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000 | Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000 |
| Summarised financial information | | | | |
| Effective percentage of ownership interest | 50.0% | 50.0% | 50.0% | 50.0% |
| <u>As at 31 December</u> | | | | |
| Non-current assets | 560,783 | 275 | 611,899 | 382,532 |
| Current assets | 967,099 | 377,552 | 1,592,684 | 55,512 |
| Non-current liabilities | (525,148) | - | (10,845) | (305,914) |
| Current liabilities | (667,502) | (285,822) | (2,040,161) | (45,522) |
| Deposits, cash and bank balances | 85,984 | 257,651 | 141,285 | 53,164 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | - | - | - | (305,914) |
| Current financial liabilities (excluding trade and other payables and provisions) | - | - | - | (10,000) |
| <u>Year ended 31 December</u> | | | | |
| Net profit/(loss)/total comprehensive income/(expense) for the financial year | 228,598 | 49,325 | 38,456 | (38,236) |
| <u>Included in the net profit/(loss)/total comprehensive income/(expense) is:</u> | | | | |
| Revenue | 3,664,106 | 193,001 | 3,565,733 | 36,262 |
| Depreciation and amortisation | (5,996) | (1,087) | (15,670) | (1,153) |
| Interest income | 1,589 | 580 | 9,496 | 1,269 |
| Interest expense | (142) | - | - | (17,995) |
| Income tax expense | (70,055) | (15,724) | (16,046) | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures which are strategic to the Group, adjusted for any differences in the accounting policies and reconciles to the carrying amount of the Group's interest in the joint ventures: (continued)

| | | | | | | 2019 |
|--|--|--|---|--|--|-----------------|
| | MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000 | MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000 | Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000 | Other individually immaterial joint ventures RM'000 | Total RM'000 |
| <u>Reconciliation of net assets to carrying amount:</u> | | | | | | |
| Effective percentage of ownership interest | 50.0% | 50.0% | 50.0% | 50.0% | | |
| <u>As at 31 December</u> | | | | | | |
| Group's share of net assets/ carrying amount in the statement of financial position | 165,355 | 50,069 | 76,411 | 27,690 | 13,512 | 333,037 |
| <u>Group's share of results</u> | | | | | | |
| <u>Year ended 31 December</u> | | | | | | |
| Group's share of profit/(loss) for the financial year | 114,299 | 24,662 | 19,228 | (19,118) | (4,998) | 134,073 |
| <u>Other information:</u> | | | | | | |
| Distribution received | 25,000 | 15,000 | - | - | 62,400 | 102,400 |

The Group's share of capital commitment and contingent liabilities in the joint ventures are as set out below:

| | Group 2020 RM'000 | 2019 RM'000 |
|--------------------------------|-------------------------|----------------|
| Capital commitment: | | |
| Property, plant and equipment: | | |
| Authorised and contracted for | - | 5,916 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The Group's share of capital commitment and contingent liabilities in the joint ventures are as set out below: (continued)

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Contingent liabilities: | | |
| Performance bonds to Government of Malaysia | 878,748 | 924,042 |
| Advance payment guarantees | - | 120,974 |

The Company and its joint venture partner, Gamuda Berhad ("Gamuda"), issued parent company guarantees to guarantee the due performance and obligations of MMC – Gamuda KVMRT (T) Sdn. Bhd., a 50.0% owned joint venture of the Company, in the underground works packages of the Klang Valley Mass Rapid Transit Project Sungai Buloh-Kajang Line ("KVMRT Line 1") and Klang Valley Mass Rapid Transit Project Sungai Buloh-Serdang-Putrajaya Line ("KVMRT Line 2"). During the financial year, the guarantee for KVMRT Line 2 was returned to the Company and its joint venture partner following the conversion from Project Delivery Partner ("PDP") model to Turnkey model.

The Company and its joint venture partner, Gamuda, have also issued parent company guarantees to guarantee the due performance and obligations of MMC – Gamuda KVMRT (PDP SSP) Sdn. Bhd., a 50.0% owned joint venture of the Company, as the PDP of KVMRT Line 2 and subsequently, as Turnkey Contractor of KVMRT Line 2 following the conversion from PDP model to Turnkey model.

The above guarantees issued by the Company have not been called as the joint ventures have been fulfilling their performance obligations as per the terms of the contract.

Investments in joint operations

Details of the Group's joint operations are shown in Note 38.

17 INVESTMENT SECURITIES

A reconciliation from opening balances to fair value measurement based on level 1 of the fair value hierarchy as described in Note 39 is as follows:

| | Group | | Company | |
|-----------------------|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 32,583 | 11,664 | 28,184 | 8,289 |
| Disposals | (55) | - | - | - |
| Changes in fair value | 8,422 | 20,919 | 9,948 | 19,895 |
| | 40,950 | 32,583 | 38,132 | 28,184 |

Investment securities are classified as fair value through other comprehensive income as the investment securities are held for long term investment.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

17 INVESTMENT SECURITIES (CONTINUED)

Investment securities comprise the following:

| | Group | | Company | |
|---------------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Listed equity securities: | | | | |
| - in Malaysia | 38,132 | 28,239 | 38,132 | 28,184 |
| - outside Malaysia | 2,818 | 4,344 | - | - |
| | 40,950 | 32,583 | 38,132 | 28,184 |

Investment securities are denominated in the following currencies:

| | Group | | Company | |
|-------------------|--------|--------|---------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Ringgit Malaysia | 38,132 | 28,239 | 38,132 | 28,184 |
| Australian Dollar | 2,818 | 4,344 | - | - |
| | 40,950 | 32,583 | 38,132 | 28,184 |

18 AMOUNTS DUE FROM/TO SUBSIDIARIES

| | Company | |
|--------------------------------|---------|---------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Amounts due from subsidiaries | 478,311 | 261,637 |
| Less: allowance for impairment | (5) | (5) |
| | 478,306 | 261,632 |
| Amounts due to subsidiaries | 360,733 | 106,389 |

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and have no fixed terms of repayment. However, these amounts are not expected to be recalled within the next twelve months as it is the intention of the Company to treat these amounts as a long term source of capital to the subsidiaries.

The amounts due to subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and are repayable on demand.

The impairment losses are analysed as follows:

| | Company | |
|--------------------------|---------|--------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| At 1 January/31 December | 5 | 5 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

19 INTANGIBLE ASSETS

| Group | Goodwill on consolidation RM'000 | Rights on water treatment business RM'000 | Rights on airport business RM'000 | Rights on port business RM'000 | Total RM'000 |
|---|-------------------------------------|--|--------------------------------------|-----------------------------------|-----------------|
| <u>Cost</u> | | | | | |
| At 1 January 2020/ 31 December 2020 | 1,983,762 | - | 188,909 | 235,387 | 2,408,058 |
| <u>Accumulated amortisation/ impairment losses</u> | | | | | |
| At 1 January 2020 | - | - | (46,952) | (27,896) | (74,848) |
| Amortisation charge | - | - | (4,195) | (8,813) | (13,008) |
| At 31 December 2020 | - | - | (51,147) | (36,709) | (87,856) |
| <u>Net book value</u> | | | | | |
| At 31 December 2020 | 1,983,762 | - | 137,762 | 198,678 | 2,320,202 |
| <u>Cost</u> | | | | | |
| At 1 January 2019 | 1,983,762 | 30,060 | 188,909 | 240,517 | 2,443,248 |
| Reclassification to property, plant and equipment (Note 11) | - | - | - | (5,130) | (5,130) |
| Write-off | - | (30,060) | - | - | (30,060) |
| At 31 December 2019 | 1,983,762 | - | 188,909 | 235,387 | 2,408,058 |
| <u>Accumulated amortisation/impairment losses</u> | | | | | |
| At 1 January 2019 | - | (30,060) | (42,757) | (19,306) | (92,123) |
| Amortisation charge | - | - | (4,195) | (8,814) | (13,009) |
| Reclassification to property, plant and equipment (Note 11) | - | - | - | 224 | 224 |
| Write-off | - | 30,060 | - | - | 30,060 |
| At 31 December 2019 | - | - | (46,952) | (27,896) | (74,848) |
| <u>Net book value</u> | | | | | |
| At 31 December 2019 | 1,983,762 | - | 141,957 | 207,491 | 2,333,210 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

19 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

The carrying amounts of goodwill arising from the acquisition of the respective subsidiaries allocated to the Group's Cash Generating Units ("CGUs") are as follows:

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| Pelabuhan Tanjung Pelepas Sdn. Bhd. ("PTP") | | |
| - port business | 1,512,366 | 1,512,366 |
| NCB Holdings Bhd. ("NCB") | | |
| - port business | 280,891 | 280,891 |
| Senai Airport Terminal Services Sdn. Bhd. | | |
| - manage, operate, maintain and develop the Senai International Airport in Johor Darul Takzim and to provide airport and aviation related services and property development ("Airport City") | 190,505 | 190,505 |
| | 1,983,762 | 1,983,762 |

(A) Port Business

Pelabuhan Tanjung Pelepas Sdn. Bhd.

The recoverable amount of the CGU is determined based on the value-in-use ("VIU") calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections. The key assumptions used in the calculation of VIU are as follows:

- Based on the business plan, the projected annual Twenty-Foot Equivalent Unit ("TEU") over the projection period from 2021 to 2025 (2019: 2020 to 2024), will be in the region of 8.5 million (2019: 8.5 million) TEUs;
- The cash flow projections after 2025 are extrapolated to the end of concession period using a nominal long-term growth rate of 3.0% (2019: 3.0%) per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and
- A pre-tax discount rate of 10.0% (2019: 10.0%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry Weighted Average Cost of Capital ("WACC"). The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

19 INTANGIBLE ASSETS (CONTINUED)

(A) Port Business (continued)

NCB Holdings Bhd.

The recoverable amount of the CGU is determined based on the VIU calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections. The key assumptions used in the calculation of VIU are as follows:

- (a) Projected year on year TEU growth at 4.0% (2019: 5.0%) from 2021 - 2025 (2019: 2020 – 2024), at 2.0% (2019: 2.0%) from 2026 – 2027 and remain constant thereafter until the end of the concession period in year 2043.
- (b) The cash flow projections are extrapolated to the end of concession using a nominal long-term average growth rate of 2.0% (2019: 2.0%) per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and
- (c) Pre-tax discount rate of 10.5% (2019: 10.5%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry WACC. The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amount.

(B) Airport City

Senai Airport City

The estimation of VIU is based on a single combined Airport City business unit to reflect the overall strategy of the Senai Airport Terminal Services Sdn. Bhd. ("SATS") group, whereby all of the activities within various companies within the SATS group are elements of the overall strategic master plan to develop Senai Airport City.

(a) Airport Operations

The recoverable amount of the Airport Operations is determined based on VIU approach. The VIU of the Airport Operations is determined by discounting the future cash flows to be generated from the continuing use of the assets over the remaining useful life of the concession.

The key assumptions used in the calculation of the VIU are as follows:

- (i) Pre-tax discount rate of 12.8% (2019: 10.7%) per annum;
- (ii) A high growth potential is projected due to the development of the Iskandar Development Region. The development is expected to significantly increase the number of passenger over the next 5 years (2019: 5 years) and thereafter a 1% to 2% (2019: 1% to 2%) growth rate is expected for the duration of the concession period;
- (iii) The inflation rate is expected to remain at 3% to 5% (2019: 3% to 5%) per annum throughout the concession period; and
- (iv) Non-aeronautical revenue is assumed to grow in tandem with passenger growth.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

19 INTANGIBLE ASSETS (CONTINUED)

(B) Airport City (continued)

Senai Airport City (continued)

(b) Property Development Land

The recoverable amount of the property development land is determined based on the market value of the land which as of December 2020, has been valued at a price higher than the fair value upon acquisition.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

20 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | Group | | Company | |
|--------------------------|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax assets | 560,962 | 636,793 | 9,100 | 14,000 |
| Deferred tax liabilities | (524,718) | (523,417) | - | - |
| | 36,244 | 113,376 | 9,100 | 14,000 |

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 113,376 | 231,655 | 14,000 | - |
| (Charged)/Credited to profit or loss (Note 8): | | | | |
| - property, plant and equipment | (22,547) | (45,917) | (4,584) | 17,940 |
| - tax losses | 947 | (23,117) | - | - |
| - provisions | 7,753 | (3,421) | (416) | (4,026) |
| - receivables | (1,595) | 1,595 | - | - |
| - investment tax allowances | (65,039) | (35,205) | - | - |
| - rights-of-use assets | 11,250 | (10,428) | 929 | (3,317) |
| - lease liabilities | (7,901) | (1,786) | (829) | 3,403 |
| | (77,132) | (118,279) | (4,900) | 14,000 |
| At 31 December | 36,244 | 113,376 | 9,100 | 14,000 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

20 DEFERRED TAXATION (CONTINUED)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Subject to income tax: | | | | |
| <u>Deferred tax assets</u> | | | | |
| Property, plant and equipment | 89,843 | 79,340 | 13,361 | 17,940 |
| Tax losses | 947 | - | - | - |
| Receivables | - | 1,595 | - | - |
| Provisions | 75,967 | 68,214 | 1,922 | 2,338 |
| Investment tax allowances | 1,042,446 | 1,107,485 | - | - |
| Lease liabilities | 527,250 | 535,151 | 2,574 | 3,403 |
| Deferred tax assets (before offsetting) | 1,736,453 | 1,791,785 | 17,857 | 23,681 |
| Offsetting | (1,175,491) | (1,154,992) | (8,757) | (9,681) |
| Deferred tax assets (after offsetting) | 560,962 | 636,793 | 9,100 | 14,000 |
| <u>Deferred tax liabilities</u> | | | | |
| Property, plant and equipment | (1,350,267) | (1,317,217) | (6,369) | (6,364) |
| Rights-of-use assets | (349,942) | (361,192) | (2,388) | (3,317) |
| Deferred tax liabilities (before offsetting) | (1,700,209) | (1,678,409) | (8,757) | (9,681) |
| Offsetting | 1,175,491 | 1,154,992 | 8,757 | 9,681 |
| Deferred tax liabilities (after offsetting) | (524,718) | (523,417) | - | - |

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised in the statement of financial position are as follows:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Deductible temporary differences | 640,354 | 392,956 | 88,967 | - |
| Unused tax losses | 472,948 | 427,205 | - | - |
| | 1,113,302 | 820,161 | 88,967 | - |

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unused tax losses will be imposed with a time limit of utilisation. Any accumulated unused tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

21 INVENTORIES

| | Group | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| <u>Non-current</u> | | |
| Freehold land | 1,608,878 | 1,634,171 |
| Leasehold land | 451,160 | - |
| Development expenditures | 975,231 | 282,409 |
| | 3,035,269 | 1,916,580 |
| <u>Current</u> | | |
| Spares, consumables and container repair materials | 101,235 | 122,819 |
| Chemicals | 153 | 146 |
| Freehold land | 14,620 | 3,523 |
| Development expenditures | 10,002 | 8,398 |
| | 126,010 | 134,886 |
| Less: allowance for slow moving stocks | (47,166) | (41,563) |
| | 78,844 | 93,323 |
| | 3,114,113 | 2,009,903 |

| | Company | |
|-------------|----------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Consumables | 690 | 1,659 |

Inventories of the Group of RM1,390.4 million (2019: RM273.3 million) comprising freehold land, leasehold land and development expenditures, spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 28.

Freehold land

Freehold land comprises several contiguous pieces of land with a total area of approximately 2,055 acres, earmarked for the development of a cargo and logistics hub, high-tech industries park and mixed development as an integral part of Senai Airport City.

Leasehold land

During the current financial year, certain leasehold land with a carrying amount of RM451.2 million had been reclassified to inventories from investment properties due to the change in use of the properties.

Development expenditures

Development expenditures include the costs incurred in relation to the development of subsidiaries' freehold and leasehold properties.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

21 INVENTORIES (CONTINUED)

The allowance for slow moving stocks is analysed as follows:

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| At 1 January | 41,563 | 25,100 |
| Provision during the financial year (Note 7(i)) | 5,603 | 16,463 |
| At 31 December | 47,166 | 41,563 |

22 ASSETS HELD FOR SALE

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Property, plant and equipment | 7,783 | 10,137 |
| Rights-of-use assets | - | 9,426 |
| | 7,783 | 19,563 |
| At 1 January | 19,563 | 175,897 |
| Transfer to property, plant and equipment (Note 11)* | - | (8,973) |
| Transfer from property, plant and equipment (Note 11) | 4,729 | 8,091 |
| Transfer from investment properties (Note 12) | - | 9,426 |
| Transfer to rights-of-use assets (Note 13)* | - | (138,852) |
| Transfer from rights-of-use assets (Note 13) | 214 | - |
| Disposal | (17,897) | (26,026) |
| Write-back of impairment | 1,174 | - |
| At 31 December | 7,783 | 19,563 |

* In 2019, the said property had been reclassified back to property, plant and equipment and rights-of-use assets, in accordance with MFRS 5 "Non-Current Assets Held For Sale", as the sale of the property was no longer probable within 12 months.

| | Company |
|-------------------------------|----------------|
| | 2019 |
| | RM'000 |
| Property, plant and equipment | - |
| At 1 January | 2,796 |
| Disposal | (2,796) |
| At 31 December | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

23 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| <u>Non-current</u> | | | | |
| Trade receivables | 52,076 | 52,076 | - | - |
| Accumulated impairment losses | (37,076) | (22,076) | - | - |
| | 15,000 | 30,000 | - | - |
| Staff loans | 3,987 | 3,448 | - | - |
| Other receivables | 225,086 | 174,838 | - | - |
| Accumulated impairment losses | (200,752) | (92,632) | - | - |
| | 24,334 | 82,206 | - | - |
| Mining exploration expenditure, at cost | 43,321 | 115,654 | - | - |
| Accumulated impairment losses | 9,962 | 9,962 | 9,962 | 9,962 |
| | (9,962) | (9,962) | (9,962) | (9,962) |
| Total non-current receivables | 43,321 | 115,654 | - | - |
| <u>Current</u> | | | | |
| Trade receivables | 627,188 | 737,913 | 25,278 | 82,544 |
| Less: impairment of trade receivables | (77,837) | (93,950) | (8) | (8) |
| | 549,351 | 643,963 | 25,270 | 82,536 |
| Other receivables | 179,337 | 197,596 | 73,055 | 59,948 |
| Less: impairment of other receivables | (11,111) | (8,724) | (334) | - |
| | 168,226 | 188,872 | 72,721 | 59,948 |
| Deposits | 27,500 | 26,361 | 1,321 | 1,511 |
| Prepayments | 15,186 | 22,375 | 204 | 1,900 |
| Dividend receivable | - | - | 10,000 | - |
| | 210,912 | 237,608 | 84,246 | 63,359 |
| Amounts due from associates | 1,672 | 3,133 | 1,672 | 1,636 |
| Amounts due from joint ventures | 445,522 | 680,518 | 403,588 | 649,976 |
| Total current receivables | 1,207,457 | 1,565,222 | 514,776 | 797,507 |
| Total receivables | 1,250,778 | 1,680,876 | 514,776 | 797,507 |
| Staff loans to eligible staff | 4,815 | 3,611 | - | - |
| Repayments due within the next twelve months | (828) | (163) | - | - |
| | 3,987 | 3,448 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit terms of trade receivables of the Group and the Company vary from 30 to 60 days (2019: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

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

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade receivables due from a contractor of Klang Valley Mass Rapid Transit project and a major international shipping line customer, representing approximately 22% (2019: 24%) of the total trade receivables of the Group. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

Measurement of ECL – simplified approach

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on 1-year historical credit losses experienced by the Group and the Company. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at year end was determined as follows for trade receivables:

Group

| Average collection period | | | | | |
|--|---------|----------------------|-------------------------------|-----------------------------|-----------|
| 31 December 2020 | Current | Past due to 3 months | Past due 3 months to 6 months | Past due more than 6 months | Total |
| Expected loss rate | 0% | 2% | 6% | 71% | |
| Gross carrying amount – trade receivables (RM'000) | 378,052 | 129,531 | 14,219 | 157,462 | 679,264 |
| Loss allowance (RM'000) | (248) | (2,132) | (865) | (111,668) | (114,913) |

| Average collection period | | | | | |
|--|---------|----------------------|-------------------------------|-----------------------------|-----------|
| 31 December 2019 | Current | Past due to 3 months | Past due 3 months to 6 months | Past due more than 6 months | Total |
| Expected loss rate | 0% | 2% | 24% | 69% | |
| Gross carrying amount – trade receivables (RM'000) | 449,614 | 155,282 | 33,496 | 151,597 | 789,989 |
| Loss allowance (RM'000) | (352) | (2,571) | (8,118) | (104,985) | (116,026) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Measurement of ECL – simplified approach (continued)

On that basis, the loss allowance as at year end was determined as follows for trade receivables: (continued)

Company

| 31 December 2020 | Average collection period | | | | Total |
|---|---------------------------|-------------------------|-------------------------------------|-----------------------------------|--------|
| | Current | Past due to 3 months | Past due 3 months to 6 months | Past due more than 6 months | |
| Expected loss rate | 0% | 0% | 0% | 100% | |
| Gross carrying amount – trade receivables (RM'000) | 25,270 | - | - | 8 | 25,278 |
| Loss allowance (RM'000) | - | - | - | (8) | (8) |

| 31 December 2019 | Average collection period | | | | Total |
|---|---------------------------|-------------------------|-------------------------------------|-----------------------------------|--------|
| | Current | Past due to 3 months | Past due 3 months to 6 months | Past due more than 6 months | |
| Expected loss rate | 0% | 0% | 0% | 100% | |
| Gross carrying amount – trade receivables (RM'000) | 82,536 | - | - | 8 | 82,544 |
| Loss allowance (RM'000) | - | - | - | (8) | (8) |

Measurement of ECL - general 3-stage approach

Other financial assets include other receivables, amount due from associate and jointly controlled entities.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Measurement of ECL - general 3-stage approach (continued)

The following indicators are incorporated: (continued)

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower
- macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Based on the above, loss allowance is measured on either 12-month ECL or lifetime ECL.

Other receivables

Other receivables represent sundry receivables and non-interest bearing. Loss allowance is assessed for other receivables individually. The Group and the Company have provided an allowance of RM211,863,000 (2019: RM101,356,000) and RM334,000 (2019: nil) respectively for impairment of its other receivables that are not considered recoverable.

Amounts due from associates and jointly controlled entities

The amounts due from associates and jointly controlled entities are unsecured, interest free, have no fixed terms of repayment and denominated in Ringgit Malaysia. The Group and the Company have assessed the loss allowance for amount due from associates and jointly controlled entities individually. As at reporting date, management is of the view that no loss allowance is to be recognised.

The Group's and the Company's historical experience shows that the allowances for impaired receivables have been adequate and due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

Movements on the impairment for trade and other receivables are as follows:

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 217,382 | 160,108 | 8 | 1,440 |
| Impairment during the financial year (Note 7(ii)) | 137,228 | 63,582 | 334 | - |
| Write-off | (13,848) | - | - | - |
| Write-back of impairment of receivables (Note 7(ii)) | (13,986) | (6,308) | - | (1,432) |
| At 31 December | 326,776 | 217,382 | 342 | 8 |

The allowance and the write-back of allowance for impaired trade and other receivables have been included in "other operating expenses" in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

24 OTHER INVESTMENTS

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| <u>Non-current</u> | | | | |
| Other investments: | | | | |
| Held as investment in sukuk | 4,000 | - | 4,000 | - |
| <u>Current</u> | | | | |
| Other investments: | | | | |
| Held as fixed deposit placements | 2,349,660 | 1,334,998 | 995,815 | 729,767 |
| | 2,353,660 | 1,334,998 | 999,815 | 729,767 |

Other investments comprise mainly investment of funds with investment banks for placement in fixed deposits and money markets and investment in the Government's sukuk. In 2019, other investments with maturity more than 90 days amounted to RM266,005,000.

25 DEPOSITS, BANK AND CASH BALANCES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and bank balances | 256,673 | 225,948 | 71,503 | 48,997 |
| Deposits with licensed banks | 157,563 | 813,687 | - | - |
| Deposits with other financial institutions | 37,000 | 35,011 | - | - |
| Total deposits, bank and cash balances | 451,236 | 1,074,646 | 71,503 | 48,997 |
| Less: Deposits with maturity more than 90 days with: | | | | |
| - Licensed banks | (83,486) | (163,035) | - | - |
| - Other financial institutions | (37,000) | (15,011) | - | - |
| | (120,486) | (178,046) | - | - |
| Included as cash and cash equivalents | 330,750 | 896,600 | 71,503 | 48,997 |

The weighted average interest rates of deposits, bank and cash balances that were effective as at end of reporting period are as follows:

| | Group | |
|------------------------------|---------------------|---------------------|
| | 2020 % per annum | 2019 % per annum |
| Deposits placed with: | | |
| Licensed banks | 2.04 | 3.43 |
| Other financial institutions | 2.14 | 3.57 |

The Group have deposits with an average maturity of 68 days (2019: 56 days).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

26 SHARE CAPITAL

| | Group and Company | | | |
|--------------------------|---------------------------|--------------|----------------|----------------|
| | Number of ordinary shares | | Amount | |
| | 2020 '000 | 2019 '000 | 2020 RM'000 | 2019 RM'000 |
| Issued and fully paid: | | | | |
| At 1 January/31 December | 3,045,058 | 3,045,058 | 2,344,276 | 2,344,276 |

27 REDEEMABLE PREFERENCE SHARES ("RPS")

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Nominal value of RPS at RM0.01 each: | | |
| At 1 January/31 December | 1,140 | 1,140 |
| Premium on RPS: | | |
| At 1 January/31 December | 112,911 | 112,911 |
| | 114,051 | 114,051 |
| Dividend on RPS | - | 16,674 |
| Classified as liabilities | 114,051 | 130,725 |
| Less: accumulated redemption | (114,051) | (114,051) |
| At 31 December | - | 16,674 |
| Amount recognised within the next twelve months (Note 30) | - | (16,674) |
| Classified as non-current liabilities | - | - |

Details of the RPS are as follows:

- (i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 30 September of every year starting from 30 September 2013 to 30 September 2017. As at reporting date, the RPS has been fully redeemed.
- (ii) The holders of the RPS shall have the right to receive a fixed cumulative preferential dividend of RM50.0 million for all the RPS based on par value of RM0.01 per share and which shall be payable in three equal instalments on 30 September 2018, 30 September 2019 and 30 September 2020.
- (iii) The RPS shall not confer any voting right except where the rights of the RPS are affected.
- (iv) In the event of liquidation, the holders of the RPS shall rank pari passu with the holders of ordinary shares and shall rank in priority to the other holders of preference shares, save for the Special Share in respect of any distribution or repayment of capital.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

28 BORROWINGS

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| <u>Non-current</u> | | | | |
| Secured: | | | | |
| Term loans | 1,805,902 | 2,373,029 | - | - |
| Islamic Medium Term Notes | 515,839 | 509,155 | - | - |
| Unsecured: | | | | |
| Term loans | 112,470 | 129,150 | 112,470 | 129,150 |
| Sukuk | 4,326,884 | 4,324,253 | 2,135,655 | 2,135,053 |
| Islamic Medium Term Notes | 1,899,738 | - | - | - |
| Government Loan | 100,000 | - | - | - |
| | 8,760,833 | 7,335,587 | 2,248,125 | 2,264,203 |
| <u>Current</u> | | | | |
| Secured: | | | | |
| Term loans | 130,720 | 168,938 | - | - |
| Islamic Medium Term Notes | 13,907 | 1,494,253 | - | - |
| Unsecured: | | | | |
| Term loans | 16,680 | 12,510 | 16,680 | 12,510 |
| Revolving Credits | 849,131 | 909,631 | 565,000 | 555,000 |
| Sukuk | - | 360,000 | - | 360,000 |
| Government Loan | - | 100,000 | - | - |
| | 1,010,438 | 3,045,332 | 581,680 | 927,510 |
| Total | 9,771,271 | 10,380,919 | 2,829,805 | 3,191,713 |
| Fair values of borrowings | 9,761,049 | 10,321,985 | 2,845,631 | 3,200,398 |

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Analysis of repayment schedule: | | | | |
| Within 1 year | 1,010,438 | 3,045,332 | 581,680 | 927,510 |
| From 1 to 2 years | 522,416 | 214,179 | 112,470 | 16,680 |
| From 2 to 5 years | 3,367,507 | 3,222,249 | 340,000 | 212,470 |
| After 5 years | 4,870,910 | 3,899,159 | 1,795,655 | 2,035,053 |
| | 9,771,271 | 10,380,919 | 2,829,805 | 3,191,713 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

28 BORROWINGS (CONTINUED)

Ports and Logistics

- (i) A term loan of a subsidiary has a fixed interest rate of 4% per annum. The term loan is repayable in equal semi-annual instalments and will mature in 2021.

The second term loan has a fixed interest rate of 6.2% per annum. The term loan is repayable in equal semi-annual instalments and will mature in 2029. This term loan has been early settled during the financial year.

The third term loan has a fixed interest rate of 5% per annum. The term loan is repayable in equal semi-annual instalments and will mature in 2028.

The term loans are secured by:

- (a) a fixed and floating charge by way of debenture over all the assets and undertaking of the subsidiary;
 - (b) a charge on the specific Designated Accounts and all monies standing to the credit of the subsidiary; and
 - (c) assignment of certain rights and benefits of the subsidiary.
- (ii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2010 was established in accordance with Shariah principle of Musyarakah. Profit rates on the IMTN are charged at a fixed rate which ranges from 3.75% to 4.36% per annum. The tenure of the IMTN commencing from date of the first issuance of the IMTN and ending on a date falling 10 years thereafter, with redemption in September 2020. The IMTN was fully redeemed in September 2020.
- (iii) The IMTN entered into by a subsidiary in 2018 was established under the Shariah principle of Murabahah via Tawarruq arrangement. There are four tranches with tenure ranging between 10 to 15 years. Profit rates on the IMTN are charged at a fixed rate which ranges from 4.45% to 4.89% per annum.
- (iv) During the current financial year, a subsidiary entered into a new IMTN established under the Shariah principle of Murabahah via Tawarruq arrangement. There are six tranches with tenures ranging between 5 to 10 years. Profit rates are charged at a fixed rate which ranges from 3.15% to 4.05% per annum.
- (v) A revolving credit (Murabahah Tawarruq) of a subsidiary is charged at profit rate of 1.25% per annum for the first 36 months and subsequently 1% per annum above the Islamic cost of funds rate and repayable in full at the end of each profit period, unless rollover. Profit shall be paid in arrears upon maturity of each period at prevailing rate.
- (vi) A revolving credit-i facility of a subsidiary is subject to profit rate of 0.90% per annum above the bank's cost of funds and due payment shall be made in full based on the profit period (30 days) on the maturity date.
- (vii) A Tawarruq financing facility was entered by a subsidiary with a nominal value of RM92 million. The subsidiary has drawn down RM78.1 million as at 31 December 2020, with financing to equity ratio of not more than 80:20. The subsidiary shall maintain a minimum cumulative finance service cover ratio ("FSCR") of 1.25 times.
- (viii) The Islamic Commercial Paper ("ICP") and IMTN programme entered into by a subsidiary in 2014 with a combined nominal value of RM1.5 billion and a sub-limit on the ICP of RM500.0 million in nominal value were established in accordance with Shariah principle of Musharakah (collectively known as Sukuk Musharakah programmes). As at reporting date, the subsidiary had issued RM450 million Sukuk Musharakah under its IMTN programme for which RM350 million has a 10-year tenure maturing December 2024, carries a profit rate of 5.78% per annum and RM100 million has a 5-year tenure maturing December 2022, carries a profit rate of 5.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

28 BORROWINGS (CONTINUED)

Ports and Logistics (continued)

- (ix) The IMTN entered into by a subsidiary in 2017 with a nominal value of RM1.0 billion was established in accordance with Shariah principle of Murabahah. As at reporting date, the subsidiary had issued RM750 million under its IMTN programme with tenure ranging from 5 to 10 years. The profit rates on the IMTN ranging from 3.59% to 3.98% (2019: 5.00% to 5.38%) per annum.
- (x) The IMTN entered into by a subsidiary in 2019 was established under the Shariah principle of Murabahah. As at reporting date, the subsidiary had issued RM1.0 billion under the IMTN programme with tenure ranging from 7 to 12 years. The profit rates on the IMTN issued are at fixed rates ranging from 4.30% to 4.68% per annum.

Engineering

- (xi) The revolving credits of a subsidiary is unsecured and bear an effective interest rate of 3.6% (2019: 4.9%) per annum.

Corporate and others

- (xii) The term loans of the Company are unsecured. Interest rates on the term loans of the Company ranges from 3.04% to 3.24% (2019: 4.30% to 4.50%) per annum. The remaining tenure of the loans are 2 years with scheduled and bullet repayments.
- (xiii) The IMTN entered into by a subsidiary in 2011 was established in accordance with the Shariah principle of Ijarah. The IMTN program comprised a first tranche with a tenure of 13 years and a second tranche with a tenure of 11.5 years, commencing from date of the issuance of each tranche. The profit rates for the first and second tranche are charged at 4.218% per annum and 4.118% per annum respectively, payable on semi-annually.
- (xiv) The revolving credit facilities of the Company bear interest ranging from 2.73% to 3.40% (2019: 4.05% to 4.72%) per annum.
- (xv) The Government Loan of a subsidiary is repayable starting on the sixth concession year in ten equal instalments and each payment shall be made within the first month of the particular concession year. During the current financial year, the Government had agreed to defer the payment of the loan from year 2020 to 2032.
- (xvi) The IMTN programme entered into by the Company in 2015 was established in accordance with Shariah principle of Murabahah (via tawarruq arrangement). The remaining tenure of the IMTNs issued under the programme is 8 years. Profit rates on the IMTN issued are at fixed rates ranging from 5.29% to 5.95% per annum.
- (xvii) Term loans of subsidiaries are secured by certain assets within the Group. The interest rates range from 3.20% to 3.80% (2019: 3.98% to 5.69%) per annum with remaining loan tenure ranges of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

29 LAND LEASE RECEIVED IN ADVANCE

| | Group 2019 RM'000 |
|--|----------------------------------|
| At 1 January | 85,891 |
| Recognised as income during the financial year | (8,757) |
| | 77,134 |
| Reclassified to trade and other payables (Note 30) | (77,134) |
| At 31 December | - |

30 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| <u>Non-current</u> | | | | |
| Trade payables | 39,372 | 56,935 | 39,372 | 56,935 |
| Other payables | 41,078 | 59,646 | - | - |
| Land lease received in advance (Note 30(c)) | 76,748 | 70,281 | - | - |
| Concession fee payable (Note 30(a)) | 14,000 | - | - | - |
| | 171,198 | 186,862 | 39,372 | 56,935 |
| <u>Current</u> | | | | |
| Trade payables | 446,171 | 394,279 | 150,518 | 165,233 |
| Other payables | 485,731 | 414,499 | 10,861 | 9,780 |
| Accruals | 655,959 | 680,094 | 35,333 | 42,691 |
| Dividend payable on RPS (Note 27) | - | 16,674 | - | - |
| Land lease received in advance (Note 30(c)) | 7,541 | 6,853 | - | - |
| Concession fee payable (Note 30(a)) | - | 14,000 | - | - |
| Provision for retirement benefits (Note 30(b)) | 32,945 | 39,824 | - | - |
| | 1,628,347 | 1,566,223 | 196,712 | 217,704 |
| Total | 1,799,545 | 1,753,085 | 236,084 | 274,639 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

30 TRADE AND OTHER PAYABLES (CONTINUED)

Credit terms of trade payables granted to the Group and the Company vary from immediate payment to 90 days (2019: immediate payment to 90 days).

(a) Concession fee payable

| | Group | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Not later than 1 year | - | 14,000 |
| Later than 1 year and not later than 5 years | 14,000 | - |

A Concession Agreement was entered by a subsidiary with the Federal Government for a cumulative period of 50 years commencing 1 November 2003 to operate, manage and develop the Senai International Airport, Johor Darul Takzim. The said agreement is subject to the continued existence of the operating license granted by the Federal Government which is for a period of 50 years commencing on the same date with an option to extend for a further period upon terms and conditions to be mutually agreed.

The concession fee is payable to Federal Government which is for the rights granted to operate, manage and develop the Airport, as disclosed above. During the current financial year, the Government had agreed to defer the payment from year 2020 to year 2025.

(b) Provision for retirement benefits

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Present value of unfunded obligations | 76,930 | 116,851 |
| Net liability recognised in the statement of financial position | 76,930 | 116,851 |
| Analysed as: | | |
| Current | 32,945 | 39,824 |
| Non-current | 43,985 | 77,027 |
| | 76,930 | 116,851 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

30 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Provision for retirement benefits (continued)

Movement in defined benefit liabilities:

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Defined benefit liabilities at beginning of the year | 116,851 | 139,023 |
| Included in profit or loss: | | |
| Current service cost | 3,034 | 3,285 |
| Interest cost | 3,983 | 2,911 |
| (Gain)/Loss on settlement | (1,726) | 9,577 |
| | 5,291 | 15,773 |
| Included in other comprehensive income: | | |
| Actuarial (gain)/loss arising from changes due to: | | |
| - demographic assumption | - | (346) |
| - financial assumption changes | (213) | 5,002 |
| - experience adjustment | (121) | 3,470 |
| Others | 80 | (628) |
| | (254) | 7,498 |
| Other movements: | | |
| Benefits paid by the plan | (44,958) | (45,443) |
| Defined benefit obligations at end of the year | 76,930 | 116,851 |

The principal actuarial assumptions used in respect of the subsidiaries' defined benefit plan are as follows:

| | Group | |
|------------------------|-----------|-----------|
| | 2020 % | 2019 % |
| Discount rates | 3.9 – 4.4 | 4.4 |
| Salary inflation rates | 4.0 – 6.0 | 5.0 – 6.0 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

30 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Provision for retirement benefits (continued)

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 | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Impact on the aggregate service and interest costs: | | |
| Discount rate: | | |
| One percentage point increase | (4,380) | (5,423) |
| One percentage point decrease | 4,907 | 6,069 |
| Salary inflation: | | |
| One percentage point increase | 5,086 | 5,330 |
| One percentage point decrease | (4,596) | (4,816) |
| Impact on the defined benefit obligation: | | |
| Discount rate: | | |
| One percentage point increase | (4,380) | (5,423) |
| One percentage point decrease | 4,907 | 6,069 |
| Salary inflation: | | |
| One percentage point increase | 5,086 | 5,330 |
| One percentage point decrease | (4,596) | (4,816) |

(c) Land lease received in advance

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| At 1 January | 77,134 | 85,891 |
| Additions during the financial year | 2,384 | - |
| Recognised as income during the financial year (Note 7(i)) | (6,552) | (8,757) |
| Reclassification from contract liabilities | 11,323 | - |
| At 31 December | 84,289 | 77,134 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

30 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Land lease received in advance (continued)

The maturity analysis for land lease received in advance is as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Within 1 year | 7,541 | 6,853 |
| Between 1 to 5 years | 20,049 | 19,683 |
| More than 5 years | 56,699 | 50,598 |
| | 84,289 | 77,134 |

31 DEFERRED INCOME

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| At 1 January | 204,485 | 234,053 |
| Deferred income received during the financial year | 52 | 187 |
| Recognised as income during the financial year (Note 7(i)) | (25,408) | (29,755) |
| At 31 December | 179,129 | 204,485 |
| Analysed as: | | |
| Non-current | 166,511 | 180,210 |
| Current | 12,618 | 24,275 |
| | 179,129 | 204,485 |

Deferred income is in relation to the grants/funds received by subsidiaries for development activities related to port and airport segments.

32 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | | |
|-----------------------------------|------------------|-----------------------|------------------|-----------------------|
| | 2020 | | 2019 | |
| | Assets RM'000 | Liabilities RM'000 | Assets RM'000 | Liabilities RM'000 |
| Current | | | | |
| Derivative used for hedging: | | | | |
| Forward foreign currency exchange | - | 16,720 | - | 3,974 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

32 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2020 were RM198,584,000 (2019: RM308,289,000). The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2020 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

33 CONTRACT ASSETS AND LIABILITIES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| <u>Contract assets</u> | | | | |
| Port and logistics related services | 6,578 | 9,279 | - | - |
| Construction contracts | 96,402 | 217,652 | - | - |
| Others | - | 6,623 | - | - |
| | 102,980 | 233,554 | - | - |
| <u>Contract liabilities - current</u> | | | | |
| Construction contracts | 982,197 | 969,131 | 977,829 | 967,807 |
| Others | 6,102 | 8,529 | - | - |
| | 988,299 | 977,660 | 977,829 | 967,807 |
| <u>Contract liabilities – non-current</u> | | | | |
| Land management service | 96,669 | 111,150 | - | - |

Movement in contract assets and contract liabilities are mainly due to the timing difference in revenue recognition and the progress billings.

The following revenue is recognised during the year:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 969,131 | 828,598 | 967,807 | 828,558 |

The amount of unfulfilled performance obligation of the Group and the Company of RM2.11 billion (2019: RM3.20 billion) and RM1.88 billion (2019: RM2.75 billion) respectively will be recognised in the financial statements in the next one to two years (2019: one to three years).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

34 SEGMENTAL INFORMATION

The Board of Directors is the Group's Chief Operating Decision-Maker ("CODM"). Management has determined the operating segments based on the directions provided by the Board of Directors for the purposes of allocating resources and assessing performance. The Heads of Departments are responsible for the development of corporate strategies.

The reportable segments of ports and logistics mainly derive their revenue and results from ports while energy and utilities derive their results mainly from electricity generation (Energy), natural gas distribution (Gas) and water treatment (Water); engineering segment derives their revenue and results from infrastructure and construction projects; airport segment derives their revenue and results from airport operations. Although the Water segment does not meet the quantitative thresholds required by MFRS 8 Operating Segments, management monitored this segment as it forms an integral part of the Group's overall key business objectives. Included in "Others" are mainly investment holding entities which individually does not meet the quantitative thresholds required by MFRS 8.

Segmental information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

| | Ports and logistics | Energy and utilities | | | Engineering | Airport | Others | Total |
|--|------------------------|----------------------|-----------|--------|-------------|-----------|-----------|------------|
| | | Gas | Energy | Water | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2020</u> | | | | | | | | |
| <u>Revenue</u> | | | | | | | | |
| Total | 3,261,390 | - | - | 24,181 | 1,325,918 | 73,184 | 736 | 4,685,409 |
| Inter-segment | (13,010) | - | - | - | (179,651) | - | - | (192,661) |
| External | 3,248,380 | - | - | 24,181 | 1,146,267 | 73,184 | 736 | 4,492,748 |
| <u>Results</u> | | | | | | | | |
| Profit/(loss) before zakat and taxation | 609,847 | 65,770 | 91,667 | 3,837 | 319,251 | (17,045) | (419,613) | 653,714 |
| Finance costs | 380,301 | - | - | 163 | 837 | 24,504 | 204,167 | 609,972 |
| Depreciation and amortisation | 711,917 | - | - | 1,048 | 106,552 | 31,466 | 9,311 | 860,294 |
| EBITDA* | 1,702,065 | 65,770 | 91,667 | 5,048 | 426,640 | 38,925 | (206,135) | 2,123,980 |
| <u>Other information</u> | | | | | | | | |
| Segment assets | 14,697,482 | - | - | 33,975 | 758,917 | 2,846,070 | 357,223 | 18,693,667 |
| Joint ventures | 1,258 | - | - | - | 274,791 | - | - | 276,049 |
| Associates | 7,673 | 907,110 | 3,227,806 | - | - | - | 190,228 | 4,332,817 |
| Other investments | 1,183,463 | - | - | 1,003 | 820,519 | 22,237 | 326,438 | 2,353,660 |
| Deposits, cash and bank | 331,063 | - | - | 1,184 | 87,592 | 19,582 | 11,815 | 451,236 |
| Total assets | | | | | | | | 26,107,429 |
| Segment liabilities | 3,938,678 | - | - | 4,661 | 1,445,534 | 528,754 | 121,054 | 6,038,681 |
| Borrowings | 5,079,066 | - | - | - | 9,000 | 391,787 | 4,291,418 | 9,771,271 |
| Total liabilities | | | | | | | | 15,809,952 |

* EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

34 SEGMENTAL INFORMATION (CONTINUED)

| | Ports and logistics | Energy and utilities | | | Engineering | Airport | Others | Total |
|---------------------------------|------------------------|----------------------|--------|--------|-------------|---------|--------|---------|
| | | Gas | Energy | Water | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2020</u> (continued) | | | | | | | | |
| <u>Other disclosures</u> | | | | | | | | |
| Capital expenditure | 966,686 | - | - | 3,776 | 13,702 | 6,367 | 1,037 | 991,568 |
| Interest income | 39,740 | - | - | 561 | 17,154 | 2,852 | 5,339 | 65,646 |
| Depreciation: | | | | | | | | |
| - property, plant and equipment | 539,004 | - | - | 805 | 102,252 | 20,380 | 6,542 | 668,983 |
| - rights-of-use assets | 146,511 | - | - | 243 | 4,300 | 6,891 | 2,296 | 160,241 |
| - investment properties | 17,589 | - | - | - | - | - | 473 | 18,062 |
| Amortisation of: | | | | | | | | |
| - rights on airport business | - | - | - | - | - | 4,195 | - | 4,195 |
| - rights on port business | 8,813 | - | - | - | - | - | - | 8,813 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

34 SEGMENTAL INFORMATION (CONTINUED)

| | Ports and logistics | Energy and utilities | | | Engineering | Airport | Others | Total |
|--|------------------------|----------------------|-----------|--------|-------------|-----------|-----------|------------|
| | | Gas | Energy | Water | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2019</u> | | | | | | | | |
| <u>Revenue</u> | | | | | | | | |
| Total | 3,204,408 | - | - | 26,706 | 1,603,729 | 80,406 | 477 | 4,915,726 |
| Inter-segment | (22,599) | - | - | - | (181,331) | - | - | (203,930) |
| External | 3,181,809 | - | - | 26,706 | 1,422,398 | 80,406 | 477 | 4,711,796 |
| <u>Results</u> | | | | | | | | |
| Profit/(loss) before zakat and taxation | 448,542 | 58,803 | 101,154 | 4,491 | 289,361 | (2,482) | (377,878) | 521,991 |
| Finance costs | 386,819 | - | - | - | 773 | 24,741 | 265,660 | 677,993 |
| Depreciation and amortisation | 637,723 | - | - | 445 | 91,791 | 31,119 | 19,348 | 780,426 |
| EBITDA* | 1,473,084 | 58,803 | 101,154 | 4,936 | 381,925 | 53,378 | (92,870) | 1,980,410 |
| <u>Other information</u> | | | | | | | | |
| Segment assets | 14,739,645 | - | - | 26,080 | 1,258,762 | 2,871,235 | 424,885 | 19,320,607 |
| Joint ventures | 1,258 | - | - | - | 331,779 | - | - | 333,037 |
| Associates | 6,573 | 895,648 | 3,295,073 | - | - | - | 185,181 | 4,382,475 |
| Other investments | 488,126 | - | - | 2,878 | 629,421 | - | 214,573 | 1,334,998 |
| Deposits, cash and bank | 956,281 | - | - | 5,085 | 54,718 | 53,891 | 4,671 | 1,074,646 |
| Total assets | | | | | | | | 26,445,763 |
| Segment liabilities | 3,767,872 | - | - | 5,262 | 1,511,500 | 554,122 | 119,307 | 5,958,063 |
| Borrowings | 5,239,354 | - | - | - | 8,000 | 384,265 | 4,749,300 | 10,380,919 |
| Total liabilities | | | | | | | | 16,338,982 |

* EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

34 SEGMENTAL INFORMATION (CONTINUED)

| | Ports and logistics | Energy and utilities | | | Engineering | Airport | Others | Total |
|---------------------------------|------------------------|----------------------|--------|--------|-------------|---------|--------|---------|
| | | Gas | Energy | Water | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2019</u> (continued) | | | | | | | | |
| <u>Other disclosures</u> | | | | | | | | |
| Capital expenditure | 653,258 | - | - | 4,364 | 38,015 | 4,183 | 628 | 700,448 |
| Interest income | 48,977 | - | - | 499 | 11,182 | 1,797 | 354 | 62,809 |
| Depreciation: | | | | | | | | |
| - property, plant and equipment | 499,502 | - | - | 445 | 90,599 | 19,980 | 16,586 | 627,112 |
| - rights-of-use assets | 120,901 | - | - | - | 1,192 | 6,944 | 2,286 | 131,323 |
| - investment properties | 8,506 | - | - | - | - | - | 476 | 8,982 |
| Amortisation of: | | | | | | | | |
| - rights on airport business | - | - | - | - | - | 4,195 | - | 4,195 |
| - rights on port business | 8,814 | - | - | - | - | - | - | 8,814 |

The Group's operations are principally based in Malaysia. The foreign-based entities' revenue, results, assets and liabilities in comparison to the Group's figures are not significant. Accordingly, no segmental information based on geographical segment is disclosed.

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| Customer | Segment | 2020 RM'000 | 2019 RM'000 |
|------------|---------------------|----------------|----------------|
| Customer A | Ports and logistics | 839,516 | 759,604 |
| Customer B | Engineering | 866,945 | 1,157,208 |
| Total | | 1,706,461 | 1,916,812 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

35 SIGNIFICANT CONTINGENT LIABILITIES

- (a) In February 2020, Integrated Marine Works Sdn Bhd ("IMW") issued a Notice of Adjudication stated as issued under the Construction Industry Payment and Adjudication Act 2012 ("Adjudication Notice") to Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP"), a 70%-owned subsidiary of MMC Corporation Berhad, claiming the sum of RM 64,247,313 including interest and costs.

The Adjudication Notice is premised on a dispute arising out of the Contract for the Deepening of Navigation Channel at Pelabuhan Tanjung Pelepas dated 8 November 2017 between IMW and PTP. The adjudicator is yet to be appointed for the matter.

- (b) At 31 December 2020, the contingent liabilities in respect of guarantees issued are as follows:

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Bank guarantees issued to third parties for performance (secured/unsecured) | 136,633 | 198,912 |

Bank guarantees issued to third parties mainly comprise customers and utilities suppliers. These are mainly in respect of performance bonds and payment guarantee for utilities facilities.

There are no other material contingent liabilities, litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company. The Directors are of the opinion that their outcome will not have a material adverse effect on the financial positions of the Group and the Company.

36 COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Capital commitments: | | |
| Property, plant and equipment contracted but not provided for | 389,690 | 593,692 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

37 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transactions and year end balances other than those disclosed elsewhere in the financial statements are as follows:

| Dr/(Cr) | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| (a) The following transactions were carried out with related parties: | | | | |
| Companies under common corporate shareholders: | | | | |
| Net drawdown of borrowings | - | 100,000 | - | - |
| Net increase in deposits and other investments | 546,295 | 9,951 | 104,048 | 5,765 |
| Joint ventures: | | | | |
| Management fees | 228 | 9,890 | 228 | 9,890 |

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| (b) Financial year-end balances arising from: | | | | |
| Companies under common corporate shareholders: | | | | |
| Borrowings | 325,000 | 325,000 | - | - |
| Deposits and other investments | 1,057,304 | 511,009 | 307,023 | 202,975 |

| (c) Key management compensation | | | | |
|---|----------------|----------------|----------------|----------------|
| | Group | | Company | |
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Fees | 1,959 | 2,191 | 1,272 | 1,272 |
| Salaries and bonuses | 23,863 | 22,788 | 16,809 | 14,810 |
| Defined contribution plan - contributions | 3,424 | 3,056 | 2,688 | 2,297 |
| Other employee benefits | 1,524 | 2,050 | 897 | 1,121 |
| | 30,770 | 30,085 | 21,666 | 19,500 |

Key management includes Directors (executive and non-executive) and head of departments of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:

Subsidiaries

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|---|--------------------------|----------------------------|-----------|--|
| | | 2020 % | 2019 % | |
| Aliran Ihsan Resources Berhad | Malaysia | 100.0 | 100.0 | Investment holding and operation, maintenance and management of water treatment plants |
| Anglo-Oriental (Annuities) Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Investment holding |
| Anglo-Oriental (Malaya) Sdn. Berhad | Malaysia | 100.0 | 100.0 | Investment and property holding |
| MMC Engineering Group Berhad | Malaysia | 100.0 | 100.0 | Engineering, management services and investment holding |
| # MMC International Holdings Limited | British Virgin Islands | 100.0 | 100.0 | Investment holding |
| * MMC Land Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Investment holding |
| MMC Pembetulan Langat Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Design and construct sewage system |
| MMC Port Holdings Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Investment holding |
| Pernas Charter Management Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Provision of management services to holding company and fellow subsidiaries |
| * Senai Airport Terminal Services Sdn. Bhd. | Malaysia | 100.0 | 100.0 | To manage, operate, maintain and develop the Senai International Airport |
| Timah Securities Berhad | Malaysia | 100.0 | 100.0 | Property investment |
| <u>Subsidiaries of Aliran Ihsan Resources Berhad</u> | | | | |
| Aliran Utara Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Operation, maintenance and management of water treatment plant |
| Aliran Water Services Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Provision of services related to water treatment |
| <u>Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.</u> | | | | |
| Labohan Dagang Galian Sendirian Berhad | Malaysia | 100.0 | 100.0 | Investment holding |
| MMC Marketing Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Property investment |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|--|--------------------------|----------------------------|-------|---|
| | | 2020 | 2019 | |
| | | % | % | |
| <u>Subsidiary of Anglo-Oriental (Malaya) Sdn. Berhad</u> | | | | |
| Tronoh Holdings (Selangor) Sendirian Berhad | Malaysia | 100.0 | 100.0 | Property investment |
| <u>Subsidiaries of MMC Engineering Group Berhad</u> | | | | |
| MMC Engineering & Construction Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Civil engineering construction works |
| MMC Engineering Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Specialised engineering and construction works |
| MMC-GTM Bina Sama Sdn. Berhad | Malaysia | 100.0 | 100.0 | Property developer, civil engineering and construction works |
| MMC Technical Services Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Investment holding company and to provide professional services to the oil and gas and resources industries |
| <u>Subsidiaries of MMC Port Holdings Sdn. Bhd.</u> | | | | |
| Johor Port Berhad | Malaysia | 100.0 | 100.0 | Port and other port related activities, construction activities and any other related works |
| NCB Holdings Bhd. | Malaysia | 99.1 | 99.1 | Investment holding and provision of management services to its subsidiaries |
| Tanjung Bruas Port Sdn. Bhd. | Malaysia | 70.0 | 70.0 | Port operations |
| Penang Port Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Operating, maintaining, managing and the provision of port facilities and other related services |
| & Pelabuhan Tanjung Pelepas Sdn. Bhd. | Malaysia | 70.0 | 70.0 | Constructing, operating, maintaining and managing Pelabuhan Tanjung Pelepas together with the provision of port facilities and other related services under the terms of license issued by the Johor Port Authority |
| @ MMCP Shared Services Centre Sdn. Bhd. | Malaysia | 100.0 | - | Provision of shared services |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:
(continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|--|-----------------------------|-------------------------------|-------|--|
| | | 2020 | 2019 | |
| | | % | % | |
| <u>Subsidiaries of MMC Port Holdings Sdn. Bhd. (continued)</u> | | | | |
| ® Andaman Port Sdn. Bhd. | Malaysia | 100.0 | - | Develop, operate, manage, maintain and provide port facilities, activities and services at Pulau Bunting/Yan Kedah Darul Aman or any other related areas |
| <u>Subsidiary of MMC Technical Services Sdn. Bhd.</u> | | | | |
| MMC Oil & Gas Engineering Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Provision of professional engineering services to the oil and gas industry |
| <u>Subsidiaries of MMC International Holdings Limited</u> | | | | |
| # City Island Holdings Limited | British Virgin Islands | 100.0 | 100.0 | Investment holding |
| * MMC Saudi Arabia Limited | Kingdom of Saudi Arabia | 100.0 | 100.0 | Investment holding |
| # MMC Saudi Holdings Limited | British Virgin Islands | 100.0 | 100.0 | Investment holding |
| # MMC Utilities Limited | British Virgin Islands | 100.0 | 100.0 | Investment holding and provision of project management services |
| # MMC Ports Limited | British Virgin Islands | 100.0 | 100.0 | Investment holding |
| <u>Subsidiary of MMC Land Sdn. Bhd.</u> | | | | |
| * Northern Technocity Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Property developer |
| <u>Subsidiaries of Pelabuhan Tanjung Pelepas Sdn. Bhd.</u> | | | | |
| ^ Pelepas Terminal Inland Services Sdn. Bhd. | Malaysia | 49.0 | 49.0 | To repair, prepare and trade of containers and to deal in all kinds and descriptions of containers and containerisation systems and other related services |
| ® Manpower Excellence Sdn. Bhd. | Malaysia | 70.0 | - | Recruitment services, i.e. prime mover drivers and port lashers |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|--|--------------------------|----------------------------|-------|--|
| | | 2020 | 2019 | |
| | | % | % | |
| <u>Subsidiaries of Senai Airport Terminal Services Sdn. Bhd.</u> | | | | |
| * Senai Airport City Services Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Provides management services for Senai Airport City development area and acting as Free Zone Authority manager |
| * Senai Airport City Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Property owner and developer |
| <u>Subsidiaries of Johor Port Berhad</u> | | | | |
| JP Logistics Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Provision of warehouse and office space, rendering cargo and container handling, freight forwarding, internal and external haulage services, container repairs and maintenance and yard operations |
| * Seaport Worldwide Sdn. Bhd. | Malaysia | 100.0 | 100.0 | Investment holding and property development |
| SPT Services Sdn. Bhd. | Malaysia | 70.0 | 70.0 | Operation, management and maintenance of a terminal and any business related thereto |
| <u>Subsidiaries of NCB Holdings Bhd.</u> | | | | |
| Kontena Nasional Berhad | Malaysia | 99.1 | 99.1 | Haulage of containers, warehousing and provision of freight forwarding services |
| Kontena Nasional Global Logistics Sdn. Bhd. | Malaysia | 99.1 | 99.1 | Provision of freight forwarding services |
| Northport (Malaysia) Bhd. | Malaysia | 99.1 | 99.1 | Management of port activities which comprises services rendered to ships, cargo and container handling, rental of port premises and other ancillary services |
| Northport Distripark Sdn. Bhd. | Malaysia | 99.1 | 99.1 | Management of a distribution centre with warehousing, storage and other associated facilities to support trading activities through Port Klang |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Group's effective interest | | Principal activities |
|--|--------------------------|----------------------------|-----------|---|
| | | 2020 % | 2019 % | |
| <u>Subsidiary of Penang Port Sdn. Bhd.</u> | | | | |
| Swettenham Pier Cruise Terminal Sdn. Bhd. | Malaysia | 60.0 | 60.0 | Development, operation, management and maintenance of the Swettenham Pier Cruise Terminal |

Inactive subsidiaries

| Name of company | Country of incorporation | Group's effective interest | |
|---|--------------------------|----------------------------|-----------|
| | | 2020 % | 2019 % |
| Bidor Malaya Tin Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Kramat Tin Dredging Berhad | Malaysia | 52.9 | 52.9 |
| * MMC EG Co. Ltd | Mongolia | 90.0 | 90.0 |
| MMC Logistics Holdings Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| MMC Tepat Teknik Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| MMC Transport Engineering Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| MMC Utilities Berhad | Malaysia | 100.0 | 100.0 |
| Southern Kinta Consolidated (M) Berhad | Malaysia | 100.0 | 100.0 |
| Southern Malayan Tin Dredging (M) Berhad | Malaysia | 100.0 | 100.0 |
| <u>Subsidiaries of Aliran Ihsan Resources Berhad</u> | | | |
| Aliran Jebat Sdn. Bhd. | Malaysia | 80.0 | 80.0 |
| Aliran Utilities Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Southern Water Technology Sdn. Bhd. (under creditors' winding up) | Malaysia | - | - |
| SWESB MMCES JV Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| <u>Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.</u> | | | |
| Dana Vision Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| Projek Lebuhraya Timur Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| * MMC Exploration & Production (Thailand) Pte Ltd (under liquidation) | Thailand | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (continued)

Inactive subsidiaries (continued)

| Name of company | Country of incorporation | Group's effective interest | |
|---|--------------------------|----------------------------|-------|
| | | 2020 | 2019 |
| | | % | % |
| <u>Subsidiaries of Anglo-Oriental (Malaya) Sdn. Berhad</u> | | | |
| * Anglo-Oriental Malaya Trustees Sdn. Bhd. (under members' voluntary liquidation) | Malaysia | - | - |
| MMC Frigstad Offshore Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| <u>Subsidiaries of MMC Tepat Teknik Sdn. Bhd.</u> | | | |
| MMC Tepat Teknik (Kejuruteraan) Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| MMC Tepat Teknik (Sarawak) Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| # Tepat Teknik (Labuan) Ltd. | Labuan, Malaysia | 100.0 | 100.0 |
| <u>Subsidiary of MMC Oil & Gas Engineering Sdn. Bhd.</u> | | | |
| * MMC Oil and Gas Engineering Consultancy LLC | Oman | 51.0 | 51.0 |
| <u>Subsidiaries of NCB Holdings Bhd.</u> | | | |
| Klang Port Management Sdn. Bhd. | Malaysia | 99.1 | 99.1 |
| KN Global Transport Sdn. Bhd. | Malaysia | 99.1 | 99.1 |
| KN Loginfra Sdn. Bhd. | Malaysia | 99.1 | 99.1 |
| KN Maritime Services Sdn. Bhd. | Malaysia | 99.1 | 99.1 |
| Konnas Prolink Sendirian Berhad | Malaysia | 99.1 | 99.1 |
| <u>Subsidiary of Penang Port Sdn. Bhd.</u> | | | |
| Penang Port Human Capital Services Sdn. Bhd. | Malaysia | 100.0 | 100.0 |
| <u>Subsidiary of Senai Airport Terminal Services Sdn. Bhd.</u> | | | |
| * Senai Airport Sdn. Bhd. | Malaysia | 100.0 | 100.0 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:
(continued)

Associates

| Name of company | Country of incorporation | Group's effective interest | | Accounting date for inclusion of company results | Principal activities |
|---|--------------------------|----------------------------|-----------|--|---|
| | | 2020 % | 2019 % | | |
| ++ Gas Malaysia Berhad | Malaysia | 30.9 | 30.9 | 31.12.2020 | Selling, marketing and promotion of natural gas to the industrial, commercial and residential sectors as well as construct and operate the Natural Gas Distribution System in Peninsular Malaysia |
| ++ * Malakoff Corporation Berhad | Malaysia | 37.6 | 37.6 | 31.12.2020 | Investment holding |
| <u>Associates of MMC International Holdings Limited</u> | | | | | |
| * Jazan Economic City Land Company Limited | Kingdom of Saudi Arabia | 24.0 | 24.0 | 31.12.2020 | Development of Jazan Economic City in the Kingdom of Saudi Arabia |
| * Red Sea Ports Development Company Limited | Kingdom of Saudi Arabia | 20.0 | 20.0 | 31.12.2020 | Operation and maintenance of container terminals |
| * Red Sea Gateway Terminal Company Limited | Kingdom of Saudi Arabia | 20.0 | 20.0 | 31.12.2020 | Operation and maintenance of container terminals |
| <u>Associate of NCB Holdings Bhd.</u> | | | | | |
| * P.T. Ritra Konnas Freight Centre | Indonesia | 33.0 | 33.0 | 31.12.2020 | Container depot operations |

Inactive associates

| Name of company | Country of incorporation | Group's effective interest | |
|--|--------------------------|----------------------------|-----------|
| | | 2020 % | 2019 % |
| * Konsortium Bernas MMC SPPM Sdn. Bhd. | Malaysia | 10.0 | 10.0 |
| <u>Associate of MMC Marketing Sdn. Bhd.</u> | | | |
| * Ajil Minerals Sdn. Bhd. | Malaysia | 49.0 | 49.0 |
| <u>Associate of MMC Tepat Teknik Sdn. Bhd.</u> | | | |
| * OP Biomas Technologies Sdn. Bhd. | Malaysia | 23.0 | 23.0 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (continued)

Joint arrangements

| Name of company | Country of incorporation | Proportion of ownership interest | | Principal activities |
|---|--------------------------|----------------------------------|------|---|
| | | 2020 | 2019 | |
| | | % | % | |
| <u>Joint ventures</u> | | | | |
| * Projek Smart Holdings Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Investment holding |
| * Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Design and construct the Stormwater Management and Road Tunnel project (“SMART”), comprising the stormwater channel and motorway works, operate, manage the toll operations and maintain the motorway |
| * MMC-Gamuda Joint Venture Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Design, construction, testing, commissioning and maintenance of the Electrified Double Tracking Project between Ipoh and Padang Besar |
| * MMC Gamuda KVMRT (PDP) Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Undertake, construct, maintain, improve, develop, implement, control, execute and manage the Klang Valley Mass Rapid Transit Project – Sungai Buloh – Kajang Line in Malaysia |
| * MMC Gamuda KVMRT (T) Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Design, construction, testing and commissioning of the Klang Valley Mass Rapid Transit Project Underground Works (tunnels, stations and associated structures) |
| * MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Undertake, construct, maintain, improve, develop, implement, control, execute and manage the Klang Valley Mass Rapid Transit Project – Sungai Buloh – Serdang – Putrajaya Line in Malaysia |
| * Salcon MMCB AZSB JV Sdn. Bhd. | Malaysia | 34.0 | 34.0 | Process engineering, construction and operation for clean water and waste/water treatment plants and pipe network and related mechanical, electrical and instrumentation work |
| * KTMB MMC Cargo Sdn. Bhd. | Malaysia | 49.0 | 49.0 | Rail freight transport and related businesses in the rail cargo sector |
| * UEM MMC Joint Venture Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Investment holding |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

38 COMPANIES IN THE GROUP (CONTINUED)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:
(continued)

Joint arrangements (continued)

| Name of company | Country of incorporation | Proportion of ownership interest | | Principal activities |
|---|--------------------------|----------------------------------|------|---|
| | | 2020 | 2019 | |
| | | % | % | |
| <u>Joint ventures</u> (continued) | | | | |
| <u>Joint Ventures of MMC Engineering Sdn. Bhd.</u> | | | | |
| * Salcon MMCES AZSB JV Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Process engineering, construction and operation for clean water and waste/water treatment plants and pipe network and related mechanical, electrical and instrumentation work |
| <u>Joint Ventures of Johor Port Berhad</u> | | | | |
| Cranetech Global Sdn. Bhd. | Malaysia | 50.0 | 50.0 | Providing maintenance service for all types and makes of industrial crane, hoist, machine tools and port equipment |
| <u>Joint Ventures of MMC Tepat Teknik Sarawak Sdn. Bhd.</u> | | | | |
| @* Red Sea Housing Malaysia Sdn Bhd | Malaysia | 51.0 | - | Manufactures and builders of fabricated buildings |
| <u>Joint operations</u> | | | | |
| * MMC-Gamuda Joint Venture (2T) | Malaysia | 50.0 | 50.0 | Construction, testing, commissioning and maintenance of the infrastructure works comprising packages N1 to N6 including maintenance works for N7 and N8 of the Electrified Double Tracking Project (“EDTP”) between Ipoh and Padang Besar |
| * MMC Gamuda KVMRT (UGW) Joint Venture | Malaysia | 50.0 | 50.0 | Execution of the tunnelling, underground works and such other related works for project Mass Rapid Transit Lembah Kelang |
| * MMCES CHEC Joint Venture | Malaysia | 60.0 | 60.0 | Process engineering and construction bridge crossing Sungai Pulai |

The keys to the symbols used are as follows:

* Audited by firms other than PricewaterhouseCoopers PLT.

++ Quoted companies

No legal requirement to appoint auditors

^ De facto controlled subsidiaries

& On 30 July 2020, the Company had transferred 70.0% ordinary equity interest in Pelabuhan Tanjung Pelepas Sdn Bhd to MMC Port Holdings Sdn. Bhd. as part of its internal reorganisation plan

@ Newly incorporated/acquired entities

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments; and
- Valuation based on market comparable approaches by qualified professional valuers.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no financial instrument included in Level 3.

Categories of financial instruments

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

- a) Financial assets and liabilities measured at amortised cost;
- b) Fair value through profit or loss (FVTPL); and
- c) Fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

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

| Group | Carrying amount RM'000 | Amortised cost RM'000 | FVTPL RM'000 | FVOCI RM'000 |
|----------------------------------|------------------------------|-----------------------------|-----------------|-----------------|
| 2020 | | | | |
| <u>Financial assets</u> | | | | |
| Trade and other receivables | 1,235,592 | 1,235,592 | - | - |
| Investment securities | 40,950 | - | - | 40,950 |
| Other investments | 2,353,660 | 4,000 | 2,349,660 | - |
| Cash and bank balances | 451,236 | 451,236 | - | - |
| | 4,081,438 | 1,690,828 | 2,349,660 | 40,950 |
| <u>Financial liabilities</u> | | | | |
| Borrowings | 9,771,271 | 9,771,271 | - | - |
| Lease liabilities | 2,314,702 | 2,314,702 | - | - |
| Trade and other payables | 1,682,311 | 1,682,311 | - | - |
| Derivative financial liabilities | 16,720 | - | 16,720 | - |
| | 13,785,004 | 13,768,284 | 16,720 | - |
| 2019 | | | | |
| <u>Financial assets</u> | | | | |
| Trade and other receivables | 1,658,501 | 1,658,501 | - | - |
| Investment securities | 32,583 | - | - | 32,583 |
| Other investments | 1,334,998 | - | 1,334,998 | - |
| Cash and bank balances | 1,074,646 | 1,074,646 | - | - |
| | 4,100,728 | 2,733,147 | 1,334,998 | 32,583 |
| <u>Financial liabilities</u> | | | | |
| Borrowings | 10,380,919 | 10,380,919 | - | - |
| Lease liabilities | 2,262,632 | 2,262,632 | - | - |
| Trade and other payables | 1,604,891 | 1,604,891 | - | - |
| Redeemable preference shares | 16,674 | 16,674 | - | - |
| Derivative financial liabilities | 3,974 | - | 3,974 | - |
| | 14,269,090 | 14,265,116 | 3,974 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

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

| Company | Carrying amount RM'000 | Amortised cost RM'000 | FVTPL RM'000 | FVOCI RM'000 |
|------------------------------|------------------------------|-----------------------------|-----------------|-----------------|
| 2020 | | | | |
| <u>Financial assets</u> | | | | |
| Trade and other receivables | 514,572 | 514,572 | - | - |
| Investment securities | 38,132 | - | - | 38,132 |
| Other investments | 999,815 | 4,000 | 995,815 | - |
| Cash and bank balances | 71,503 | 71,503 | - | - |
| | 1,624,022 | 590,075 | 995,815 | 38,132 |
| <u>Financial liabilities</u> | | | | |
| Borrowings | 2,829,805 | 2,829,805 | - | - |
| Lease liabilities | 10,338 | 10,338 | - | - |
| Trade and other payables | 224,561 | 224,561 | - | - |
| Amounts due to subsidiaries | 360,733 | 360,733 | - | - |
| | 3,425,437 | 3,425,437 | - | - |
| 2019 | | | | |
| <u>Financial assets</u> | | | | |
| Trade and other receivables | 795,607 | 795,607 | - | - |
| Investment securities | 28,184 | - | - | 28,184 |
| Other investments | 729,767 | - | 729,767 | - |
| Cash and bank balances | 48,997 | 48,997 | - | - |
| | 1,602,555 | 844,604 | 729,767 | 28,184 |
| <u>Financial liabilities</u> | | | | |
| Borrowings | 3,191,713 | 3,191,713 | - | - |
| Lease liabilities | 12,817 | 12,817 | - | - |
| Trade and other payables | 262,532 | 262,532 | - | - |
| Amounts due to subsidiaries | 106,389 | 106,389 | - | - |
| | 3,573,451 | 3,573,451 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

Except as disclosed below, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate their fair values due to the relatively short term nature and frequent repricing of these financial instruments.

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

2020

| Group | Fair value of financial instruments carried at fair value in the financial statements | | | | Fair value of financial instruments not carried at fair value in the financial statements | | | | Total fair value | Carrying amount |
|---|---|----------|---------|-----------|---|--------------|---------|--------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Financial assets</u> | | | | | | | | | | |
| Investment securities | 40,950 | - | - | 40,950 | - | - | - | - | 40,950 | 40,950 |
| Trade and other receivables (non-current) | - | - | - | - | - | 43,321 | - | 43,321 | 43,321 | 43,321 |
| Other investments | 2,349,660 | - | - | 2,349,660 | 4,000 | - | - | 4,000 | 2,353,660 | 2,353,660 |
| | 2,390,610 | - | - | 2,390,610 | 4,000 | 43,321 | - | 47,321 | 2,437,931 | 2,437,931 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Derivative financial liabilities: | | | | | | | | | | |
| Forward foreign exchange | - | (16,720) | - | (16,720) | - | - | - | - | (16,720) | (16,720) |
| Borrowings | - | - | - | - | - | (9,761,049) | - | (9,761,049) | (9,761,049) | (9,771,271) |
| Trade and other payables (non-current) | - | - | - | - | - | (53,372) | - | (53,372) | (53,372) | (53,372) |
| Lease liabilities | - | - | - | - | - | (2,314,702) | - | (2,314,702) | (2,314,702) | (2,314,702) |
| | - | (16,720) | - | (16,720) | - | (12,129,123) | - | (12,129,123) | (12,145,843) | (12,156,065) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2019

| Group | Fair value of financial instruments carried at fair value in the financial statements | | | | Fair value of financial instruments not carried at fair value in the financial statements | | | | Total fair value | Carrying amount |
|---|---|-------------------|-------------------|-----------------|---|-------------------|-------------------|-----------------|------------------|-----------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| <u>Financial assets</u> | | | | | | | | | | |
| Investment securities | 32,583 | - | - | 32,583 | - | - | - | - | 32,583 | 32,583 |
| Trade and other receivables (non-current) | - | - | - | - | - | 115,654 | - | 115,654 | 115,654 | 115,654 |
| Other investments | 1,334,998 | - | - | 1,334,998 | - | - | - | - | 1,334,998 | 1,334,998 |
| | 1,367,581 | - | - | 1,367,581 | - | 115,654 | - | 115,654 | 1,483,235 | 1,483,235 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Derivative financial liabilities: | | | | | | | | | | |
| Forward foreign exchange | - | (3,974) | - | (3,974) | - | - | - | - | (3,974) | (3,974) |
| Borrowings | - | - | - | - | - | (10,321,985) | - | (10,321,985) | (10,321,985) | (10,380,919) |
| Trade and other payables (non-current) | - | - | - | - | - | (56,935) | - | (56,935) | (56,935) | (56,935) |
| Lease liabilities | - | - | - | - | - | (2,262,632) | - | (2,262,632) | (2,262,632) | (2,262,632) |
| | - | (3,974) | - | (3,974) | - | (12,641,552) | - | (12,641,552) | (12,645,526) | (12,704,460) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

39 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2020

| Company | Fair value of financial instruments carried at fair value in the financial statements | | | | Fair value of financial instruments not carried at fair value in the financial statements | | | | Total fair value | Carrying amount |
|--|---|---------|---------|-----------|---|-------------|---------|-------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Financial assets</u> | | | | | | | | | | |
| Investment securities | 38,132 | - | - | 38,132 | - | - | - | - | 38,132 | 38,132 |
| Other investments | 995,815 | - | - | 995,815 | 4,000 | - | - | 4,000 | 999,815 | 999,815 |
| | 1,033,947 | - | - | 1,033,947 | 4,000 | - | - | 4,000 | 1,037,947 | 1,037,947 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Borrowings | - | - | - | - | - | (2,845,631) | - | (2,845,631) | (2,845,631) | (2,829,805) |
| Trade and other payables (non-current) | - | - | - | - | - | (39,372) | - | (39,372) | (39,372) | (39,372) |
| Lease liabilities | - | - | - | - | - | (10,338) | - | (10,338) | (10,338) | (10,338) |
| | - | - | - | - | - | (2,895,341) | - | (2,895,341) | (2,895,341) | (2,879,515) |

2019

| | | | | | | | | | | |
|--|---------|---|---|---------|---|-------------|---|-------------|-------------|-------------|
| <u>Financial assets</u> | | | | | | | | | | |
| Investment securities | 28,184 | - | - | 28,184 | - | - | - | - | 28,184 | 28,184 |
| Other investments | 729,767 | - | - | 729,767 | - | - | - | - | 729,767 | 729,767 |
| | 757,951 | - | - | 757,951 | - | - | - | - | 757,951 | 757,951 |
| <u>Financial liabilities</u> | | | | | | | | | | |
| Borrowings | - | - | - | - | - | (3,200,398) | - | (3,200,398) | (3,200,398) | (3,191,713) |
| Trade and other payables (non-current) | - | - | - | - | - | (56,935) | - | (56,935) | (56,935) | (56,935) |
| Lease liabilities | - | - | - | - | - | (12,817) | - | (12,817) | (12,817) | (12,817) |
| | - | - | - | - | - | (3,270,150) | - | (3,270,150) | (3,270,150) | (3,261,465) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2020 (Continued)

40 SUBSEQUENT EVENTS

- (i) On 27 January 2021, City Island Holdings Limited, a wholly-owned subsidiary of the Company, had signed separate Share Purchase Agreements with the Public Investment Fund, the sovereign wealth fund of Saudi Arabia and COSCO Shipping Ports Limited (via its wholly-owned subsidiary, Sound Joyce Enterprises Limited) respectively, to undertake the proposed disposal of its 8.0% direct equity interest in Red Sea Gateway Terminal Company Limited for a total cash consideration of SAR211.1 million. The transaction is pending completion as the finalisation of the proposed transaction is subject to the approval of the Saudi Arabian Ports Authority as well as other customary approvals.
- (ii) On 19 March 2021, Klang Port Management Sdn. Bhd., a wholly-owned subsidiary of Northport (Malaysia) Bhd, which in turn is a 99.1% indirect subsidiary of MMC Port Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a conditional Share Sale and Purchase Agreement with Boustead Holdings Berhad in relation to the proposed acquisition of 184,856,447 ordinary shares, representing 50.0% equity interest in Boustead Cruise Centre Sdn. Bhd. for a cash consideration of RM115.0 million. The transaction is pending completion.
- (iii) On 22 March 2021, MMC Land Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a conditional share sale agreement with Tradewinds Corporation Berhad ("Tradewinds") for the proposed acquisition of 2,500,000 ordinary shares representing 50.0% equity interest in Retro Highland Sdn. Bhd. ("Retro Highland") and the shareholder's loans (together with all interest accrued thereon) of approximately RM55.0 million advanced by Tradewinds to Retro Highland pursuant to the Subscription and Shareholders Agreement made between S P Setia Berhad, Tradewinds and Retro Highland dated 7 May 2018, for a purchase consideration of RM250 million. The transaction is pending completion.

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | | Net book value (RM'000) | Age of building | Year of acquisition |
|---|-----------|--------------------|---|-------------------|--------------------------------------|-------------------------------|--------------------|------------------------|
| PTD No. 2423, Tanjung Kupang, District of Johor Bahru, Johor | Leasehold | 349.04 | Port terminal, office buildings, commercial & industrial land | 2055 |)))) | | 21 | 1995 |
| PTD Nos. 2424-2426, PTD Nos. 2427-2455, PTD Nos. 2458-2504, PTD Nos. 2514, 2516, 2517, 2520, 2521, Tanjung Kupang, District of Johor Bahru, Johor | Leasehold | 724.80 | Commercial & industrial land | 2055 |)))))))) | 2,057,362 | - | 1995 |
| PTD No. 1586, Serkat, District of Pontian, Johor | Leasehold | 114.92 | Land for port terminal & buildings | 2055 |)))) | | - | 1995 |
| PTD No. 2519, Tanjung Kupang, District of Johor Bahru, Johor | Leasehold | 0.22 | Commercial & Industrial land | 2055 |)))) | | - | 1995 |
| PTD 3161, Tanjung Kupang, District of Johor Bahru, Johor | Leasehold | 2.79 | Building | 2107 |)))) | | - | 2008 |
| H.S. (D) 23569, PTD 8797, Mukim of Senai, District of Kulajaya, Johor | Leasehold | 488.53 | Senai International Airport | 2053 | | 768,714 | 17 | 2003 |
| PTD No. 1357, 2050, PTD Nos. 1836-1838, PTD Nos. 2149-2151, PTD Nos. 2053-2054, Lot 8252, H.S.(D) 68263, Serkat/Sg. Karang, District of Pontian, Johor | Leasehold | 912.78 | Industrial/vacant | 2103 | | 404,047 | 14 | 2005 |
| Plentong, District of Johor Bahru, Johor | Leasehold | 112.1 | Break bulk and dry bulk cargo berths 7-11 | 2052 | | 56,730 | 23 | 1997 |
| Plentong, District of Johor Bahru, Johor | Leasehold | 13.44 | Container Terminal berths 1 - 3 | 2052 | | 46,777 | 28 | 1992 |
| Plentong, District of Johor Bahru, Johor | Leasehold | - | Dangerous cargo jetty 4 | 2052 | | 21,182 | 21 | 1999 |
| Plentong, District of Johor Bahru, Johor | Leasehold | - | Dangerous cargo jetty | 2052 | | 9,209 | 28 | 1992 |

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building | Year of acquisition |
|---|-----------|--------------------|--|-------------------|-------------------------------|--------------------|------------------------|
| Berth 12 and 13, North Port, Port Klang | Leasehold | 9.6 | Berthing facilities for ships | 2043 | 12,740 | 19 | 1992 |
| Berth 14-25, North Port, Port Klang | Leasehold | 66.31 | Berthing facilities for ships | 2043 | 38,387 | 37 - 56 | 1992 |
| Container Terminal, North Port, Port Klang | Leasehold | 49.2 | Storage of containers, warehouses and office buildings | 2043 | 103,292 | 47 | 1986 |
| Container Terminal, North Port, Port Klang | Leasehold | N/A | Infrastructure and warehouses | 2043 | 13,179 | 45 | 1986 |
| Dockyard, Southpoint, Port Klang | Leasehold | 3.28 | Docking facilities | 2034 | N/A | N/A | 1992 |
| Port and Terminal Area | Leasehold | N/A | Infrastructure, power stations and warehouses | 2043 | 40,258 | 20 - 26 | 1992 |
| Warehouse D1 to D4 Jalan Parang North Port, Port Klang | Leasehold | 2.6 | Warehouses for cargo storage | 2031 | 11,402 | 21 - 26 | 1995 |
| HS(D) 24617 PT 11690 & HS(D) 31134 PT 13728 Jalan Parang North Port, Port Klang | Leasehold | 13.7 | Storage, open yard and undeveloped land | 2031 | 7,363 | 21 - 26 | 1995 |
| Kawasan Perindustrian Selat Klang Utara, 42000 Port Klang Selangor Darul Ehsan | Leasehold | 40,431 sq.m. | Warehouse, office and container yard | 2086 | 35,485 | 39 | 1978 |
| P.T. 1644 Lebuh Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang Selangor Darul Ehsan | Leasehold | 129,692 sq.m. | Warehouse, office and container yard | 2079 | 57,003 | 22 | 1983 |
| Batu 9 Jalan Klang Lama 47300 Petaling Jaya Selangor Darul Ehsan | Leasehold | 74,936 sq.m. | Warehouse, office and container yard | 2103 | 139,089 | 31 | 1979 |
| 2443 Lorong Perusahaan Satu, Kawasan Perindustrian Prai 13600 Prai Pulau Pinang | Leasehold | 81,692 sq.m. | Warehouse and office | 2041 - 2053 | 20,296 | 22 - 35 | 1981 |
| Lot 126 Kawasan Perindustrian Gebeng, 26080 Kuantan Pahang Darul Makmur | Leasehold | 175,791 sq.m. | Warehouse, office and container yard | 2063 | 23,848 | 22 | 1993 |

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building | Year of acquisition |
|---|-----------|--------------------|---------------------------------------|-------------------|-------------------------------|--------------------|------------------------|
| PLO 282, Jalan Suasa Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim | Leasehold | 57,986 sq.m. | Container Yard | 2046 | 12,956 | N/A | 1982 |
| PLO 249 Jalan Tembaga Satu, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang Johor Darul Takzim | Leasehold | 140,866 sq.m. | Office and container yard Tenanted | 2045 | 20,646 | 13 | 1997 |
| Geran 43498 Lot No 37465 HS(D) 13093 PT 223 Mukim Kapar Klang Selangor Darul Ehsan | Freehold | 178,580 sq.m. | Vacant land | N/A | 94,912 | N/A | 2008 |
| Geran 199919 Lot No 70008 Seksyen 39 Bandar Kulim Daerah Kulim Kedah | Freehold | 25.66 | Vacant land | N/A | 41,370 | N/A | 2016 |
| Geran 202073 Lot No 70029 Seksyen 39 Bandar Kulim Daerah Kulim Kedah | Freehold | 6.77 | Vacant land | N/A | 10,915 | N/A | 2016 |
| Geran 202074 Lot No 70030 Seksyen 39 Bandar Kulim Daerah Kulim Kedah | Freehold | 6.288 | Vacant land | N/A | 10,138 | N/A | 2016 |
| Geran 202075 Lot No 70552 Seksyen 39 Bandar Kulim Daerah Kulim Kedah | Freehold | 9.73 | Vacant land | N/A | 15,687 | N/A | 2016 |
| HS(D) 67877 PT 10847 Bandar Kulim Daerah Kulim Kedah | Freehold | 6.2864 | Vacant land | N/A | 10,135 | N/A | 2016 |
| HS(D) 67879 PT 10849 Bandar Kulim Daerah Kulim Kedah | Freehold | 6.9501 | Vacant land | N/A | 11,205 | N/A | 2016 |

SHAREHOLDINGS STATISTICS

As at 19 March 2021

The total number of issued shares of the Company stands at 3,045,058,552 Ordinary Shares, with voting right of one (1) vote per Ordinary Share.

Substantial Shareholders

| | No. of Shares | | | |
|--|---------------|-------|----------------|-------|
| | Direct | % | Indirect | % |
| Seaport Terminal (Johore) Sdn Bhd | 1,576,108,840 | 51.76 | - | - |
| Amanahraya Trustees Berhad - Amanah Saham Bumiputera | 580,387,600 | 19.06 | - | - |
| Indra Cita Sdn Bhd | - | - | *1,576,108,840 | 51.76 |
| Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor | - | - | @1,576,108,840 | 51.76 |
| Sharifah Sofia Syed Mokhtar Shah | - | - | &1,576,108,840 | 51.76 |

Notes:

* deemed interested through Seaport Terminal (Johore) Sdn Bhd

@ deemed interested through Indra Cita Sdn Bhd

& Sharifah Sofia is the daughter of YBhg. Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor, the ultimate Major Shareholder of MMC Corporation Berhad through his 99.99% shareholding in Indra Cita Sdn Bhd, the holding company of Seaport Terminal (Johore) Sdn Bhd.

Analysis by Size of Shareholding

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Capital |
|--|---------------------|-------------------|----------------------|---------------------|
| Less than 100 shares | 683 | 4.08 | 9,406 | 0.00 |
| 100 - 1,000 | 2,461 | 14.7 | 1,699,150 | 0.06 |
| 1,001 - 10,000 | 9,224 | 55.11 | 46,172,055 | 1.52 |
| 10,001 - 100,000 | 3,657 | 21.85 | 117,080,496 | 3.84 |
| 100,001 to less than 5% of issued shares | 711 | 4.25 | 723,601,005 | 23.76 |
| 5% and above of issued shares | 2 | 0.01 | 2,156,496,440 | 70.82 |
| TOTAL | 16,738 | 100.00 | 3,045,058,552 | 100.00 |

Directors' Interest as per the Register of Directors' Shareholdings

| | No. of Shares | | | |
|----------------------------------|---------------|------|----------|---|
| | Direct | % | Indirect | % |
| Dato' Sri Che Khalib Mohamad Noh | 600,000 | 0.02 | - | - |

THIRTY LARGEST SHAREHOLDERS

As at 19 March 2021

| No | Name | No. of shares held | % of issued capital |
|----|---|-----------------------|------------------------|
| 1 | Seaport Terminal (Johore) Sdn Bhd | 1,576,108,840 | 51.76 |
| 2 | Amanahraya Trustees Berhad - Amanah Saham Bumiputera | 580,387,600 | 19.06 |
| 3 | Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 53,804,200 | 1.77 |
| 4 | Lam Kong Tang | 48,916,200 | 1.61 |
| 5 | CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Bank Berhad (EDP 2) | 32,719,000 | 1.07 |
| 6 | Amanahraya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan | 26,149,500 | 0.86 |
| 7 | Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund | 25,658,600 | 0.84 |
| 8 | HSBC Nominees (Asing) Sdn Bhd - J.P. Morgan Securities Plc | 23,047,300 | 0.76 |
| 9 | Citigroup Nominees (Asing) Sdn Bhd - UBS AG | 22,268,397 | 0.73 |
| 10 | Amanahraya Trustees Berhad - Amanah Saham Bumiputera 3 - Didik | 19,247,300 | 0.63 |
| 11 | Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn Bhd (Franklin 1) | 15,522,643 | 0.51 |
| 12 | Amanahraya Trustees Berhad - Amanah Saham Malaysia | 12,033,400 | 0.40 |
| 13 | HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF) | 10,000,000 | 0.33 |
| 14 | Kumpulan Wang Persaraan (Diperbadankan) | 9,655,600 | 0.32 |
| 15 | Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (Dr) | 9,579,200 | 0.31 |
| 16 | Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Eastspring) (410140) | 9,104,200 | 0.30 |
| 17 | Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZVY5 for State Street Emerging Markets Small Cap Active Non-Lending QIB Common Trust Fund | 8,441,800 | 0.28 |
| 18 | HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P) | 7,560,000 | 0.25 |
| 19 | Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Heng Loon | 6,715,000 | 0.22 |

THIRTY LARGEST SHAREHOLDERS

As at 19 March 2021

| No | Name | No. of shares held | % of issued capital |
|---------------|--|-----------------------|------------------------|
| 20 | Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Ai Chu | 5,276,700 | 0.17 |
| 21 | DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund TCT9 for California State Teachers Retirement System | 5,157,000 | 0.17 |
| 22 | Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheng Mooi Soong | 4,727,100 | 0.16 |
| 23 | HSBC Nominees (Asing) Sdn Bhd - BNY Mellon for Mackenzie Emerging Markets Fund | 4,078,967 | 0.13 |
| 24 | HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (Ulife) | 4,068,000 | 0.13 |
| 25 | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund | 4,044,600 | 0.13 |
| 26 | UOBM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Neoh Choo Ee & Company Sdn Berhad | 4,000,000 | 0.13 |
| 27 | HSBC Nominees (Asing) Sdn Bhd - BPSS FFT for BAYVK A3-Fonds | 3,720,900 | 0.12 |
| 28 | DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund | 3,672,600 | 0.12 |
| 29 | Tiong Nam Logistics Holdings Berhad | 3,660,000 | 0.12 |
| 30 | DB (Malaysia) Nominee (Asing) Sdn Bhd - The Bank of New York Mellon for Florida Retirement System | 3,345,100 | 0.11 |
| Total: | | 2,542,669,747 | 83.50 |

GLOSSARY

| INDUSTRY TERMS | DEFINITION |
|---|--|
| ASEAN | The Association of Southeast Asian Nations |
| APEX | Asia Pacific Exchange |
| Break Bulk | Loose general cargo or non-containerised cargo stowed directly into the ship's hold. E.g. boxes, crates, drums or barrels |
| Chemical Oxygen Demand (COD) | The indirect measurement of the amount of pollution that cannot be oxidised biologically, in a sample of water |
| Department of Environment Malaysia (DOE) | A Government department established under the Ministry of Technology, Environment and Climate Change, tasked to manage environmental issues |
| Dry Bulk | Raw materials shipped in large, unpackaged parcels. E.g. coal, iron ore or grain |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | Profit before taxation and non-controlling interests with the addition of amounts previously deducted for depreciation, amortisation and financing costs |
| Earnings Per Share (EPS) | The company's net income divided by the total number of outstanding shares |
| Electrified Rubber-Tyred Gantry (E-RTG) | An electric-powered mobile gantry crane, as opposed to a conventional RTG used in intermodal operations to ground or stack containers |
| Empty Container (MT) | A container that has been unloaded |
| Energy Monitoring System (EMS) | A device or method to monitor energy consumption efficiency |
| Environment Management Plan (EMP) | A plan for formulation, implementation and monitoring of environment, which is explicit, illustrative, action-oriented, time-bound and definitive |
| Environmental Impact Assessment (EIA) | The assessment of the environmental consequences (positive and negative) of a plan, policy, programme, or actual project prior to the decision to move forward with the proposed action |
| Foreign Exchange (FOREX) | The market in which currencies are traded |
| Freight Weight Tonnes (FWT) | Unit of volume of weight used for measuring freight in shipping |
| FTSE4Good Index Series | The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices |
| Gross Domestic Product (GDP) | The monetary value of all the finished goods and services produced within a country's geographic borders over a specific time period |
| Gross Profit | Profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services |
| Health Safety Environment (HSE) | A discipline, branch or department within a company that is responsible for the implementation, observance and protection of occupational health and safety rules and regulations as well as environmental protection |
| High Pressure Sodium Vapor (HPSV) | A specific type of gas-discharge light (also known as a High Intensity Discharge, HID or arc light) |
| Hybrid Rubber-Tyred Gantry (RTG) | Similar to Rubber-Tyred Gantry but with smaller engines, where the regenerative energy is stored as recaptured electricity and re-used for power optimisation. Hybrid RTG uses either a rechargeable battery or capacitor for energy storage |
| Independent Power Producer (IPP) | An entity that is not a public utility but owns facilities to generate electric power for sale to utilities and end users |
| International Organisation for Standardisation (ISO) | An independent, non-governmental international organisation that develops international standards for various aspects (e.g. quality, safety, environment, food and safety) and almost every industry |
| Light-Emitting Diode (LED) | A semiconductor light source that emits light when the current flows through it |

GLOSSARY

| INDUSTRY TERMS | DEFINITION |
|--|--|
| Liquefied Natural Gas (LNG) | Natural gas (predominantly methane, CH ₄ , with some mixture of ethane, C ₂ H ₆) that has been cooled down to liquid form for ease and safety of non-pressurised storage or transport |
| Loss Time Injury (LTI) | A work-related incident that results in a fatality, disability (permanent, temporary or partial) or time (days) lost from work |
| Million British Thermal Units (MMBtu) | A standard unit of measurement used to assess energy content in fuel and the ability of appliances and air conditioning systems to produce heating or cooling. It is also used as a standard unit of measurement for natural gas as well as power and steam generation |
| Million Passenger Per Annum (MPPA) | Passenger capacity in the aviation sector per annum |
| National Water Quality Standard (NWQS) | A set of standards derived based on beneficial uses of water |
| Non-revenue Water (NRW) | Water that has been produced and is “lost” before it reaches the customer. Losses can be real losses, through leaks, sometimes also referred to as physical losses or apparent losses, for example through theft or metering inaccuracies |
| Occupational Safety and Health (OSH) | A multidisciplinary field concerned with the safety, health, and welfare of people at work |
| Population Equivalent (PE) | Population equivalent refers to the amount of oxygen-demanding substances (measured in BOD or BOD ₅) in wastewater where oxygen consumption during biodegradation equals the average oxygen demand of the wastewater produced by one person for one day |
| Power Purchase Agreement (PPA) | A legal contract between an electricity generator (provider) and a power purchaser (buyer, typically a utility or large power buyer/trader) |
| Prime Mover (PM) | A tractor unit or, a heavy-duty towing engine that provides motive power for hauling a towed or trailered load |
| Profit Before Zakat and Tax (PBZT) | A measure that looks at a company's profits before the company has to pay corporate income tax and zakat in Malaysia |
| Quay Crane (QC) | A wharf crane capable of moving on rail tracks along the platform beside the sea for loading/unloading cargo from/into vessels. It is also known as ship-to-shore cranes |
| Rail-Mounted Gantry (RMG) | A fully electrified crane. The RMG crane is typically wider and higher than the RTG crane and is mounted on rail. The main power supply is via cable reel, similar to a quay crane |
| Reduce, Reuse and Recycle (3R) | An approach to manage wastes produced, as an alternative to directly disposing in landfills |
| Regional Comprehensive Economic Partnership (RCEP) | A free trade agreement between the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam |
| Renewable Energy (RE) | Energy derived from natural resources that are naturally replenished |
| Revenue | Income that a business has from its normal business activities |
| Roll-on Roll-off (RoRo) | A vessel designed to carry wheeled cargo that are driven on and off the ship on its own wheels or using a platform vehicle, such as a self-propelled modular transporter |
| Rubber-Tyred Gantry (RTG) | A conventional mobile gantry crane with rubber tyres powered by a diesel generator system (gensets), used in intermodal operations to ground or stack containers |
| Small and Medium-sized Enterprise (SME) | A company that employs fewer than a given number of employees with a specified range of turnover |
| Take Cost Out (TCO) | A process that redesigns the fundamental elements of a business to support a company's strategic objectives |

GLOSSARY

| INDUSTRY TERMS | DEFINITION |
|--|---|
| The Average Noise Level (LAeq) | A weighted equivalent continuous sound level in decibels measured over a stated period of time. It is used to describe sound levels that vary over time, resulting in a single decibel value, which takes into account the total sound energy over the period of time of interest |
| The International Convention for the Prevention of Pollution from Ships (MARPOL) | The main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes |
| Total Suspended Particulates (TSP) | The indicator used to represent suspended particles in the ambient air |
| Total Suspended Solids (TSS) | Total quantity measurement of solid material per volume of water |
| Tunnel Boring Machine (TBM) | A machine used to excavate tunnels with a circular cross section through a variety of soil and rock strata |
| Twenty-Foot Equivalent Unit (TEU) | Unit of the cargo capacity of a container ship, a container terminal and the statistics of the container transit in a port |
| United Nations Sustainable Development Goals (UNSDGs) | Adopted by all United Nations Member States in 2015, it provides a shared blueprint for peace and prosperity for people and the planet with 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership |
| Variable Refrigerant Volume (VRV) | VRV in a system for heating, ventilating and air conditioning, which has the flexibility to vary the flow of refrigerant to multiple internal evaporators, such as fan coil units, based on demand. This energy-saving system is cost effective and enables the air conditioning unit to operate economically |
| Waste to Energy (WTE) | The process of generating energy in the form of electricity and/or heat from the primary treatment of waste, or the processing of waste into a fuel source |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth Annual General Meeting (45th AGM) of MMC Corporation Berhad (MMC or the Company) will be held on a fully virtual basis via remote participation and electronic voting (collectively referred hereinafter as Virtual AGM) on Monday, 10 May 2021 at 10.00 a.m. The Broadcast Venue for the Virtual AGM will be at the Training Room, Ground Floor, MMC Corporation Berhad, Wisma Budiman, Persiaran Raja Chulan, 50200 Kuala Lumpur, Malaysia. The Virtual AGM will be conducted for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors' Report and Auditors' Report thereon. **Please refer to Note A**
2. To approve the payment of Directors' fees up to an amount of RM1,690,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 11 May 2021 until the conclusion of the next Annual General Meeting (AGM). **Resolution 1**
3. To approve the benefits payable to the Directors of the Company up to an amount of RM1,670,000.00 for the period from 11 May 2021 until the conclusion of the next AGM. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Article 18.3 of the Company's Constitution and who being eligible, offer themselves for re-election:
 - (a) Syed Naqiz Shahabuddin Syed Abdul Jabbar **Resolution 3**
 - (b) Sharifah Sofia Syed Mokhtar Shah **Resolution 4**
5. To re-elect Datuk Seri Tajuddin Atan who retires in accordance with Article 18.9 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 5**
6. To re-appoint Messrs. PricewaterhouseCoopers PLT (PwC), having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration. **Resolution 6**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions:

7. Retention of Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017
"That the authority be and is hereby given to Datuk Ooi Teik Huat, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company". **Resolution 7**
8. Retention of Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017
"That the authority be and is hereby given to Dato' Abdul Hamid Sh Mohamed, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company". **Resolution 8**
9. To transact any other business of which due notice shall been given in accordance with Companies Act 2016 and the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to participate in the 45th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 3 May 2021. Only a depositor whose name appears on the Record of Depositors as at 3 May 2021 shall be entitled to participate in the said meeting or appoint proxies to participate and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Sazlin Ayesha Abdul Samat

(LS0008112)

SSM Practicing Certificate No : 201908000994

Sharifah Ashtura Jamalullail Syed Osman

(LS0009113)

SSM Practicing Certificate No : 201908001128

Company Secretaries

Kuala Lumpur

9 April 2021

Notes:

1. As part of the Company's initiative to curb the spread of the Coronavirus Disease 2019 (COVID-19), the 45th AGM will be held on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. Kindly refer to the procedures provided in the Administrative Details on registration, participation and voting at the 45th AGM.
2. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and in accordance with Article 16.3 of the Company's Constitution which allow a general meeting to be held at more than one (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. NO SHAREHOLDERS/PROXY(IES)/CORPORATE REPRESENTATIVES from the public to be physically present at or admitted to the Broadcast Venue on the day of the Meeting.
3. Kindly refer to the Administrative Details on the appointment and registration of proxy for the Virtual AGM.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of 45th AGM will be put to vote by poll.
5. Only members registered in the Record of Depositors as at 3 May 2021 shall be entitled to participate in the 45th AGM.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

Note A

This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this matter will not be put forward for voting.

Directors' Remuneration

Section 230(1) of the Companies Act 2016 stipulates among others, that the fees and benefits payable to the Directors of listed companies and its subsidiaries shall be approved at a general meeting. In this respect, the Board had agreed that the shareholders' approval shall be sought at the Company's 45th AGM on the Directors' remuneration in two (2) separate resolutions as follows:

- (a) **Resolution 1** on payment of Directors' fees to the NEDs for the period from 11 May 2021 until the conclusion of the next AGM; and
- (b) **Resolution 2** on benefits payable to the Directors for the period from 11 May 2021 until the conclusion of the next AGM.

The remuneration policy for the NEDs of the Company is as depicted below:

| Description | NEDs | | |
|--|----------------|------------|-------------|
| | Group Chairman | Chairman | Members |
| Board Fees (per month) | RM50,000.00 | - | RM10,000.00 |
| Fixed Allowance (per month) | | | |
| • Audit Committee | - | RM4,000.00 | RM2,000.00 |
| • Nomination and Remuneration Committee | - | - | RM1,000.00 |
| • Finance, Investment and Risk Committee | - | RM1,000.00 | RM1,000.00 |
| Meeting Allowance (per meeting) | | | |
| • Board | RM2,500.00 | - | RM2,500.00 |
| • Audit Committee | - | RM2,500.00 | RM2,500.00 |
| • Nomination and Remuneration Committee | RM2,000.00 | - | RM2,000.00 |
| • Finance, Investment and Risk Committee | - | RM2,000.00 | RM2,000.00 |
| Benefits (per annum) | | | |
| • Annual Leave Passage | RM30,000.00 | - | RM30,000.00 |
| • Token of Appreciation | RM5,000.00 | - | RM5,000.00 |

The proposed Resolutions 1 and 2, if passed, will give authority to the Company to pay the Directors' fees and benefits on a monthly basis and/or as and when incurred based on the present fees and benefits structure, since the NEDs have discharged their responsibilities and rendered their services to MMC Group throughout the period.

Resolution 1 - Payment of Directors' fees to the NEDs for the period from 11 May 2021 until the conclusion of the next AGM

The total amount of Directors' fees payable to the NEDs is estimated to be up to RM1,690,000.00 for the period from 11 May 2021 until the conclusion of the next AGM.

At the Forty-Fourth AGM (44th AGM) of the Company held on 22 June 2020, the Directors' fees of up to RM1,370,000.00 for the period from 23 June 2020 until the conclusion of the 45th AGM were approved by the shareholders. The utilisation of this approved amount as at 31 December 2020 is RM742,000.00. An amount of RM550,000.00 is expected to be utilised for the period of 1 January 2021 to 10 May 2021. The total utilised amount would be approximately 94.31% of the approved amount.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 2 - Approval on benefits payable to the Directors for the period from 11 May 2021 until the conclusion of the next AGM

The benefits payable to the Directors consists of meeting allowances, Committees' fixed allowance and benefits in kind. The total amount of benefits payable to the Directors is estimated to be up to RM1,670,000.00 for the period from 11 May 2021 until the conclusion of the next AGM, taking into account various factors, among others, the number of scheduled and special meetings for the Board and Board Committees, Board of Subsidiaries, the number of Directors involved in these meetings, etc.

At the 44th AGM of the Company held on 22 June 2020, the benefits payable to the Directors of up to RM2,120,000.00 for the period from 23 June 2020 until the conclusion of the 45th AGM were approved by the shareholders. The utilisation of this approved amount as at 31 December 2020 is RM684,870.62. An amount of RM561,103.30 is expected to be utilised for the period of 1 January 2021 to 10 May 2021. The total utilised amount would be approximately 58.77% of the approved amount.

Resolutions 3, 4 and 5 – Proposed Re-election of Directors

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 45th AGM of the Company.

In determining the eligibility of the Directors to stand for re-election at the 45th AGM, the Board and the Nomination and Remuneration Committee have considered the performance and contribution of each Director based on the Board of Directors' Annual Assessment Exercise.

Based on the assessment conducted for the Financial Year 2020, all the affected Directors met the performance criteria required for an effective and high performance Board. As such, the Board recommended for the affected Directors to be re-elected on the Board of the Company.

Resolution 6 – Re-appointment of Auditors

The Board and the Audit Committee have assessed the performance of PwC and are satisfied with the quality of service rendered and the competency and sufficiency of resources provided to the Company. The Board at its meeting held on 1 April 2021 agreed to recommend to the shareholders of the Company to approve the re-appointment of PwC as the Company's external auditors for the financial year 2021.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

Resolutions 7 and 8 – Retention of Independent Director

Malaysian Code on Corporate Governance 2017 (MCCG) recommends that shareholders' approval be sought in the event that the Company intends to retain an Independent Non-Executive Director who has served in that capacity for more than nine (9) years.

In relation thereto, the Board, through the Nomination and Remuneration Committee, has assessed the independence of Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years.

NOTICE OF ANNUAL GENERAL MEETING

The Board recommends that Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed continue to act as Independent Non-Executive Directors of the Company for the following reasons:

- (a) They fulfill the criteria as Independent Non-Executive Director as defined in the Listing Requirements, and therefore are able to bring independent and objective judgment to the Board;
- (b) Their immense experience in their respective fields/background enable them to provide the Board with a diverse set of experience, expertise, skills and competence;
- (c) They understand the Company's business operations which allow them to participate actively and contribute during deliberations or discussions at the Committee and Board meetings;
- (d) They devote sufficient time and effort and attend all the Board and Committee meetings, for informed and balanced decision making; and
- (e) They exercise due care as Independent Non-Executive Director of the Company and carry out their professional and fiduciary duties in the interest of the Company and shareholders.

The shareholders' approval for Resolutions 7 and 8 will be sought on a single-tier voting basis.

NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

The Board had, on 1 April 2021, approved and declared a single-tier dividend of 3.5 sen per share for the Financial Year Ended 31 December 2020.

In respect of the above, a Notice is hereby given that the dividend will be paid to the shareholders on 25 June 2021. The entitlement date for the dividend shall be on 3 June 2021.

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

- (a) Shares transferred into the Depositor's securities account before 4.30 p.m. on 3 June 2021 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad (Bursa Malaysia Securities) on a cum entitlement basis according to the Rules of Bursa Malaysia Securities.

STATEMENT ACCOMPANYING NOTICE OF THE 45TH ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. The Directors who are retiring by rotation in accordance with Article 18.3 of the Company's Constitution and seeking re-election:

- (a) Syed Naqiz Shahabuddin Syed Abdul Jabbar; and
- (b) Sharifah Sofia Syed Mokhtar Shah.

2. The Director who is retiring in accordance with Article 18.9 of the Company's Constitution and seeking re-election:

- (a) Datuk Seri Tajuddin Atan.

The profiles of the abovenamed Directors are stated in the Directors' Profile on pages 12 to 15 of the Annual Report.

None of the abovenamed Directors has any interest in the Securities of the Company or its subsidiaries.

Proxy Form

Annual General Meeting

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



I/We, _____
(FULL NAME OF SHAREHOLDERS AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)
_____ of _____
(NRIC NO./PASSPORT NO./COMPANY NO.) (FULL ADDRESS)

being a member/members of MMC CORPORATION BERHAD hereby appoint: _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(ADDRESS IN FULL)

Contact No.: _____ Email address: _____

and/or failing him/her _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(ADDRESS IN FULL)

Contact No.: _____ Email address: _____

the **Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 45th AGM of the Company to be held via remote participation and electronic voting (Virtual AGM) at the Broadcast Venue at Training Room, Ground Floor, MMC Corporation Berhad, Wisma Budiman, Persiaran Raja Chulan, 50200 Kuala Lumpur, Malaysia on Monday, 10 May 2021 at 10.00 a.m., and/or at any adjournments thereof, on the following resolutions referred to in the notice of the 45th AGM:

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote)

| NO. | AGENDA | | | |
|--|---|-----------------------|------------|----------------|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors' Report and Auditors' Report thereon. | | | |
| ORDINARY BUSINESS | | RESOLUTION | FOR | AGAINST |
| 2. | Payment of Directors' fees up to an amount of RM1,690,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 11 May 2021 until the conclusion of the next AGM. | Ordinary Resolution 1 | | |
| 3. | Benefits payable to the Directors of the Company up to an amount of RM1,670,000.00, for the period from 11 May 2021 until the conclusion of the next AGM. | Ordinary Resolution 2 | | |
| Re-election of the following Directors who retire in accordance with Article 18.3 of the Company's Constitution | | | | |
| 4. | Syed Naqiz Shahabuddin Syed Abdul Jabbar | Ordinary Resolution 3 | | |
| 5. | Sharifah Sofia Syed Mokhtar Shah | Ordinary Resolution 4 | | |
| 6. | Re-election of Datuk Seri Tajuddin Atan as Director of the Company in accordance with Article 18.9 of the Company's Constitution. | Ordinary Resolution 5 | | |
| 7. | Re-appointment of Messrs. PricewaterhouseCoopers PLT (PwC) as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 | | |
| SPECIAL BUSINESS | | RESOLUTION | FOR | AGAINST |
| 8. | Retention of Datuk Ooi Teik Huat as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company. | Ordinary Resolution 7 | | |
| 9. | Retention of Dato' Abdul Hamid Sh Mohamed as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company. | Ordinary Resolution 8 | | |

* Strike out whichever inapplicable.

** If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank space(s) provided.

Dated this _____ day of _____, 2021

Where there are two (2) proxies appointed, to indicate the percentage of shareholdings to be represented by the proxies:

| | No. of Shares | Percentage (%) |
|--------------|---------------|----------------|
| Proxy 1 | | |
| Proxy 2 | | |
| TOTAL | | |

Signature(s) of Shareholder(s) or Common Seal

Notes:

- As no shareholders/proxies/corporate representatives should be physically present at the Broadcast Venue, the shareholders/proxies/corporate representatives are encouraged to participate and vote at the 45th AGM using remote participation and electronic voting facilities as outlined in the Administrative Details.
- A member of the Company entitled to participate and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to participate and vote instead of him/her. A member of the Company may appoint up to two (2) proxies to participate in the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
- In the case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company, and a member may appoint any person to be his/her proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- Where a member is an exempt authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The proxy form, to be valid, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the meeting or any adjournment thereof.
- Alternatively, you may deposit your proxy form by electronic means through the Share Registrar's website, Boardroom Smart Investor Portal not less than 24 hours before the time appointed for the meeting or any adjournment thereof. Kindly follow the link at <https://boardroomlimited.my> to login and deposit your proxy form electronically.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of 45th AGM will be put to the vote by poll.
- For the purpose of determining a member who shall be entitled to participate in the 45th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 3 May 2021. Only a depositor whose name appears on the Record of Depositors as at 3 May 2021 shall be entitled to participate and vote at the 45th AGM vide remotely or appoint proxies to participate and/or vote on his/her behalf.

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

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