Ranhill

TOWARDS A
SUSTAINABLE TOMORROW

ANNUAL REPORT
2016

Cover Rationale

A fundamental priority of our business is to advance sustainably in the Environment and Power sectors through a holistic approach which encompasses Economic, Environmental and Social (EES) Sustainability practices as well as sound business and operational processes. Our contributions for the future will not only help with global efforts for a greener planet, but build strong and stable foundation for the long-term profitability and sustainability of our regional business.

WHAT'S INSIDE

VISION, MISSION & VALUES

Aerator in Semanggar Water Treatment Plant

Our Vision

ENRICHING LIVES THROUGH SUSTAINABLE SOLUTIONS

ENRICHING LIVES
Ranhill aspires to lift the quality of life by being in the forefront of nation building through sustainable environment and power solutions using innovative and clean technology.

SUSTAINABLE SOLUTIONS
Ranhill aspires to meet the needs for an enhanced quality of life and for a cleaner planet through innovation.

We subscribe to the triple bottom-line approach to the Environment (Planet) and Communities (People) whilst achieving our Financial Objective (Profit).

We inspire our employees to be innovative in providing solutions beyond customer's expectation.

Our Mission

To be a regional leader in the Environment and Power sector.

We target to have the capacity of 1,000 MW clean energy by 2020 and 3,500 MLD of water & wastewater treatment capacity by 2020 in the Asian region.

Our Values

RESPECT
Respect for the environment, communities we serve and for our employees.

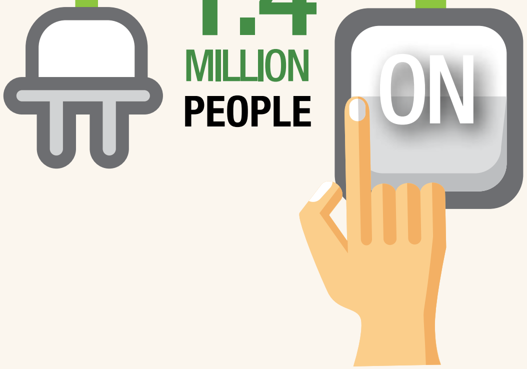
RESOURCEFUL
Determination in sourcing and adopting innovative solutions.

RESULT
Focused on delivering growth and value to our stakeholders.

RANHILL FACT SHEET

FACT SHEET

PROVIDES ELECTRICITY TO 1.4 MILLION PEOPLE



PROVIDES WATER TO 3.7 MILLION PEOPLE

3,327 EMPLOYEES

CLEAN ENERGY

380MW

Operate and Maintain 2 X 190 MW

WATER SUPPLY CAPACITY

2,348 MLD

WASTEWATER TREATMENT CAPACITY 306 MLD

Johor is one of the lowest NRW per KM of water pipe length at

0.02 MLD/KM

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI AZMAN YAHYA
Chairman/Non-Independent Non-Executive Director

TAN SRI HAMDAN MOHAMAD
Executive Director/President and Chief Executive

DATO SRI LIM HAW KUANG
Executive Director

TAN SRI SAW CHOO BOON
Senior Independent Non-Executive Director

DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI
Independent Non-Executive Director

LIM HUN SOON @ DAVID LIM
Independent Non-Executive Director

DATO' ZULKIFLI IBRAHIM
Independent Non-Executive Director

ABU TALIB ABDUL RAHMAN
Independent Non-Executive Director

LOONG MEI YIN
Non-Independent Non-Executive Director

DATUK ABDULLAH KARIM
Independent Non-Executive Director
(appointed w.e.f. 31 March 2017)

IZADDEEN DAUD
Non-Independent Non-Executive Director
(appointed w.e.f. 31 March 2017)

AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman
Independent Non-Executive Director

DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI
Member
Independent Non-Executive Director

ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

NOMINATING AND REMUNERATION COMMITTEE

TAN SRI SAW CHOO BOON
Chairman
Senior Independent Non-Executive Director

TAN SRI AZMAN YAHYA
Member
Non-Independent Non-Executive Director

DATUK ABDULLAH KARIM
Member (appointed w.e.f. 5 April 2017)
Independent Non-Executive Director

ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

GOVERNANCE AND RISK MANAGEMENT COMMITTEE

TAN SRI SAW CHOO BOON
Chairman
Senior Independent Non-Executive Director

DATO SRI LIM HAW KUANG
Member
Executive Director

DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI
Member
Independent Non-Executive Director

ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

CORPORATE INFORMATION (CONT'D)

STRATEGY AND INVESTMENT COMMITTEE

TAN SRI AZMAN YAHYA
Chairman
Non-Independent Non-Executive Director

TAN SRI HAMDAN MOHAMAD
Member
Executive Director/President and Chief Executive

DATO SRI LIM HAW KUANG
Member
Executive Director

DATO' ZULKIFLI IBRAHIM
Member
Independent Non-Executive Director

LOONG MEI YIN
Member
Non-Independent Non-Executive Director

IZADDEEN DAUD
Member (appointed w.e.f. 5 April 2017)
Non-Independent Non-Executive Director

COMPANY SECRETARIES

LAU BEY LING
Chartered Secretary
MAICSA 7001523

LEONG SHIAK WAN
Chartered Secretary
MAICSA 7012855

REGISTERED OFFICE

(1) Level 13, Wisma PERKESO
No. 155 Jalan Tun Razak
50400 Kuala Lumpur
Telephone No. : 603-26855200
Facsimile No. : 603-26855286
(1) will be changed to Level 13 w.e.f. 2 May 2017

REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : 603-78490777
Facsimile No. : 603-78418151

AUDITORS

MESSRS ERNST & YOUNG
Chartered Accountants
(AF No: 0039)
Level 23A Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Telephone No. : 603-74958000
Facsimile No. : 603-20955332

PRINCIPAL BANKER

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Bhd
Stock Name : RANHILL (listed on *16.12.2015 and traded on 16.03.2016)
Stock Code : 5272

WEBSITE

www.ranhill.com.my

MESSAGE TO SHAREHOLDERS

TAN SRI AZMAN YAHYA
Chairman/Non-Independent Non-Executive Director

TAN SRI HAMDAN MOHAMAD
Executive Director/President and Chief Executive

DEAR SHAREHOLDERS,

IT GIVES US GREAT PLEASURE TO PRESENT TO YOU RANHILL HOLDINGS BERHAD'S (RANHILL OR THE GROUP) 2016 ANNUAL REPORT. THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (FY2016) WAS A PARTICULARLY MOMENTOUS ONE FOR THE GROUP WITH SEVERAL MAJOR DEVELOPMENTS WHICH SET FIRM FOUNDATIONS FOR OUR GROUP AND BUSINESS IN THE ENVIRONMENT AND POWER SECTORS IN THE ASIAN REGION.

MESSAGE TO SHAREHOLDERS (CONT'D)

2016 marked our official debut on the Main Board of Bursa Malaysia Securities Bhd (Bursa) on 16 March 2016. Despite the slowdown in the overall world market, we are extremely delighted with the response from the retail and institutional investors, which we view as an endorsement of our presence in the Environment and Power sectors in the region. RM386.8 million was raised from the public offering and was utilised mainly to pare down our Group's borrowings, a move which has strengthened our balance sheet.

Today, Ranhill's business operations are present in Malaysia, China and Thailand. In FY2016, we have a generation capacity of 380 Megawatt (MW) of clean energy and 2,348 Million Litres Per Day (MLD) of water and wastewater treatment capacity, bringing us one step closer to achieving our vision of generating 1,000 MW of clean energy and 3,500 MLD of water and treatment wastewater capacity by the year 2020.

OVERVIEW OF FINANCIAL PERFORMANCE FOR 2016

Throughout the year, we delivered commendable results on our financial and non-financial performance. Our business model, which is based on producing a stable and recurring income which is less susceptible to economic cycles has produced the desired results.

For the year under review, the Environment sector remained as our main contributor on the back of SAJ Ranhill Sdn Bhd's (SAJ) stability as the sole water service provider in the State of Johor. The revenue from the Environment Sector rose by 12% Year-on-Year (YoY) to RM1.1 billion in FY2016 as water consumption and customer base increased due to new developments of housing and industrial areas.

Revenue from the Power sector rose by 7% year-on-year to RM0.32 billion in FY2016 due to the increase in the sales of energy. Consolidated FY2016 revenue rose by 11% to RM1.45 billion.

REWARDS FOR SHAREHOLDERS

As outlined in the prospectus for our IPO, we promised our shareholders a targeted long-term dividend payout ratio of between 50% and 70% of the Group's profit. Our desire to provide our shareholders with profitable returns on their investment is balanced against our pragmatism in making dividend payments from cash generated from our operations, upon setting aside necessary funding to sustain our future growth.

In keeping to our promise, the Group has made a first interim dividend payment of 1.8 sen per share on 28 September 2016, a second interim dividend of 2.0 sen per share on 19 January 2017 and a third interim dividend payment of 2.0 sen per share on 29 March 2017. The Board will be recommending a final dividend of 2.0 sen per share at the third AGM. In total, the Group's dividend payment of 7.8 sen per share translates to a dividend payout ratio of more than 90%.

STRATEGIC INITIATIVES IN 2016

Ranhill's commitment to growing our business in the medium to long-term is evident from the various strategic initiatives we embarked in FY2016.

A key milestone for us was the strategic partnership with SIIC Environment Holdings Ltd (SIIC) of China through the divestment of 60% of Ranhill Water (Hong Kong) Ltd (RWHK) to SIIC. SIIC is a noteworthy partner, with over 80 water treatment and supply projects and a total design capacity of more than 7 million tonnes per day. Additionally, SIIC has 4 waste incineration projects across 15 municipalities and provinces in China.

Revenue rose by
11%
to
RM1.45 billion

The Group has made a total interim dividend payment of
5.8 sen
per share and to recommend 2.0 sen per share as a final dividend

Partnership with SIIC Environment Holdings Ltd (SIIC) of China through the divestment of
60%
of Ranhill Water (Hong Kong) Ltd (RWHK) to SIIC

MESSAGE TO SHAREHOLDERS (CONT'D)

The move supports our business expansion plans for the China market, by leveraging on SIIC's local knowledge and strong business alliances in the country. Our partnership with SIIC opens up new avenues in terms of investment opportunities through procurement of industrial wastewater concessions, negotiation of tariff adjustments and project financing with competitive terms.

Furthermore, the proceeds from the sale of RMB273.9 million (about RM175.6 million) will be utilised as capital for Ranhill to venture into other new investment opportunities in the Power sector. The matching shareholder loans from SIIC will be used to expand our China water operations. The synergies that this partnership brings to the Group will further strengthen the foundation of our regional business.

We continue to pursue opportunities we had identified under the 11^{th} Malaysia Plan (11MP) which included an integrated water supply and sewerage services billing system. In 2016, a key move forward in this regard was achieved with the Memorandum of Understanding (MOU) we signed with Indah Water Konsortium Sdn Bhd (IWK), Malaysia's national sewerage company.

The MOU paves the way for the integration of water supply and sewerage services in Johor by facilitating a joint review of the Joint Billing Exercise for water supply and sewerage services in the state. This review however, excludes Johor Bahru City and Pasir Gudang which are currently managed by the respective city councils.

In the Non-Revenue Water (NRW) segment, our industry reputation as a leading company in Malaysia involved in the National NRW Management and Reduction Programme was a significant factor in Ranhill Water Services Sdn Bhd (RWS) successfully securing a RM15.9 million NRW services contract from Air Kelantan Sdn Bhd. This business is expected to gain momentum over the next few years.

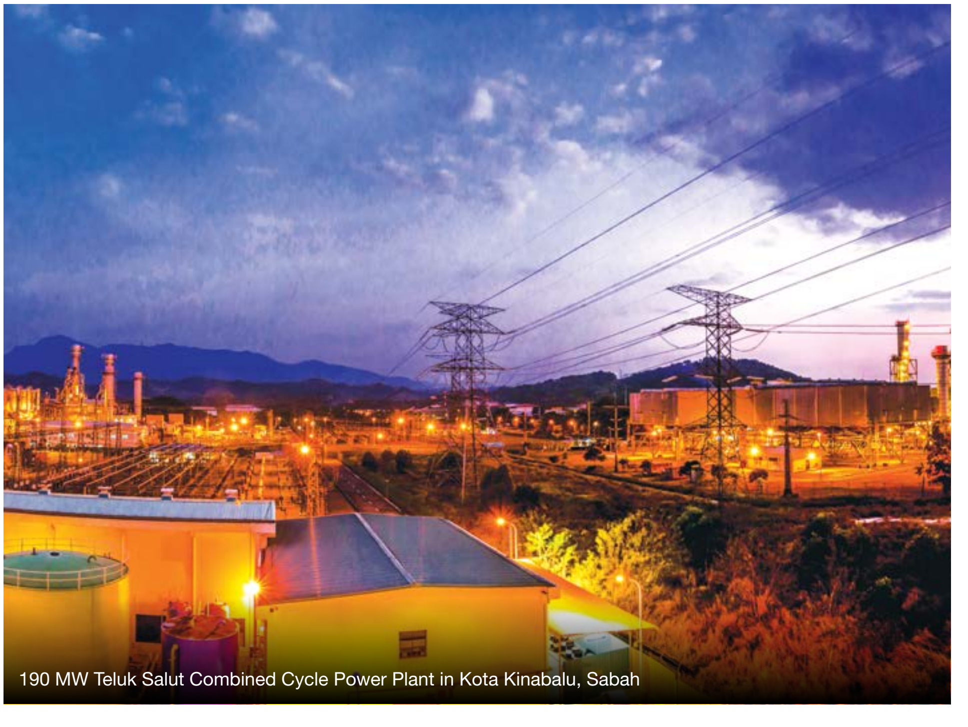
In the Power sector, we continue to focus on clean energy opportunities in Sabah and Southeast Asia region whilst focusing on Combined Cycle Gas Turbine (CCGT), a priority given to generate growth. In addition to that, we are also venturing into renewable energy, specifically in solar and geothermal.

VALUE CREATION THROUGH SUSTAINABILITY AND GOVERNANCE

Sustainability

Our Economic, Environmental and Social (EES) sustainability initiatives epitomises our corporate commitment towards the sustained and responsible conduct of our businesses within the Environment and Power sectors. Our sustainability strategy is defined by our four pillars of sustainability comprising environmental awareness and perseverance; contributions towards social wellbeing; inspirational workplace and culture; and, enhancing governance across the Group.

Ranhill's Sustainability Strategy is closely aligned with global sustainability guidelines as well as Bursa Malaysia's Sustainability Reporting Guide for companies listed on the Main Market to detail the management of material EES risks and opportunities. To read a full account of our EES initiatives and outcomes, this year we have produced our inaugural standalone 2016 Sustainability Report.



190 MW Teluk Salut Combined Cycle Power Plant in Kota Kinabalu, Sabah

MESSAGE TO SHAREHOLDERS (CONT'D)


RPII, Rugarding Power Station


Wastewater Treatment Plant in Amata City, Thailand

For the year under review, we have initiated a culture transformation programme to inculcate new Vision, Mission and Values among our employees. The programme will be cascaded down at subsidiaries level in 2017 to ensure everyone in the Group is clear about the direction we are heading to with the values we wish to embed to all.

Governance

We remain steadfast in practising the highest standards of corporate governance, through full compliance with the principles and recommendations of the Malaysian Code on Corporate Governance 2012, Bursa's Main Market Listing Requirements and the Corporate Governance Guide issued by Bursa. In 2016, we began the process of reviewing and enhancing our Governance and Risk Management Committee (GRMC) structure and reporting procedure as part of our ongoing commitment to raise the bar on our standards of governance.

Our exemplary standards of integrity and ethics has put us in good stead in the industry. Testament to this, in FY2016, SAJ Ranhill Sdn Bhd (formerly known as SAJ Holdings Sdn Bhd) was appointed by the Personal Data Protection Commissioner to lead the formation of the Personal Data Code of Practise for the water segment of the utilities sector. We are both humbled and proud of this faith in us by the regulators.

APPRECIATION

We are indebted to our employees for their perseverance and dedication in working relentlessly towards the sustained growth of the business. Our heartfelt thanks also goes to our esteemed colleagues on the Board for sharing their wisdom and insights in steering the Group.

On behalf of Ranhill's Board of Directors and Management, we wish to express our deepest gratitude to our business partners, bankers and financiers, the authorities, our customers and shareholders for your support and continued confidence in Ranhill.

TAN SRI AZMAN YAHYA
Chairman
Non-Independent Non-Executive Director

TAN SRI HAMDAN MOHAMAD
Executive Director
President and Chief Executive

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

Our **Environment** sector generates income from three distinct sources:

- Source-to-Tap water supply managed by SAJ Ranhill Sdn Bhd (SAJ)
- Non-Revenue Water (NRW) business managed by Ranhill Water Services Sdn Bhd (RWS)
- Water and Wastewater Treatment operated by Ranhill Water Technologies Sdn Bhd (RWT)

Our **Power** sector generates revenues from two primary sources:

- Power Generation carried out by Ranhill Powertron Sdn Bhd (RPI) and Ranhill Powertron II Sdn Bhd (RPII)
- Operations and Maintenance (O&M) of the above two power plants managed by Ranhill Power O&M Sdn Bhd (RPOMI) and Ranhill Power II O&M Sdn Bhd (RPOMII)


Semanggar Water Treatment Plant, Johor Bahru

As at FY2016, we have a generation capacity of 380 MW of clean energy and 2,348 MLD of water and wastewater treatment or 38% and 68.5% of the targeted 1,000 MW and 3,500 MLD respectively by year 2020.

KEY DEVELOPMENTS IN 2016

The Group achieved two major corporate milestones in FY2016:

- **The successful listing of Ranhill Holdings Berhad:**
  In March 2016, we successfully raised proceeds of RM386.8 million from our public offering which includes securing cornerstone investors of Permodalan Darul Ta'zim Sdn Bhd, Lembaga Tabung Haji and Corston-Smith Asset Management Sdn Bhd. The proceeds raised were used to pare down the Group's borrowings (RM320 million), thus strengthening our balance sheet and also enables savings of interest in excess of RM10 million per annum. The remaining proceeds, coupled with internal funds, were used to acquire the remaining 48% of Ranhill Water Technologies (Cayman) Limited (RWTC) from Robinson Investments Limited which will allow Ranhill to have full control over RWTC wastewater operations in China, Thailand and Malaysia.

- **The Strategic Partnership with SIIC:**
  In September 2016, the Group's subsidiary, RWTC, entered into a Sales and Purchase Agreement (SPA) with SIIC Environment Holdings Ltd (SIIC) to divest 60% of Ranhill Water (Hong Kong) Ltd (RWHK), a wholly owned subsidiary of RWTC, to SIIC. The divestment was conducted in line with our intention to forge a strategic partnership with SIIC to further expand our business in China. The proceeds from the sale which amounted to RMB273.9 million (about RM175.6 million) will be utilised as capital for Ranhill to venture into other new investment opportunities in the Power sector. Subsequent to the SPA, SIIC has injected approximately USD30 million to match the USD20 million that has been injected by Ranhill prior to the divestment.

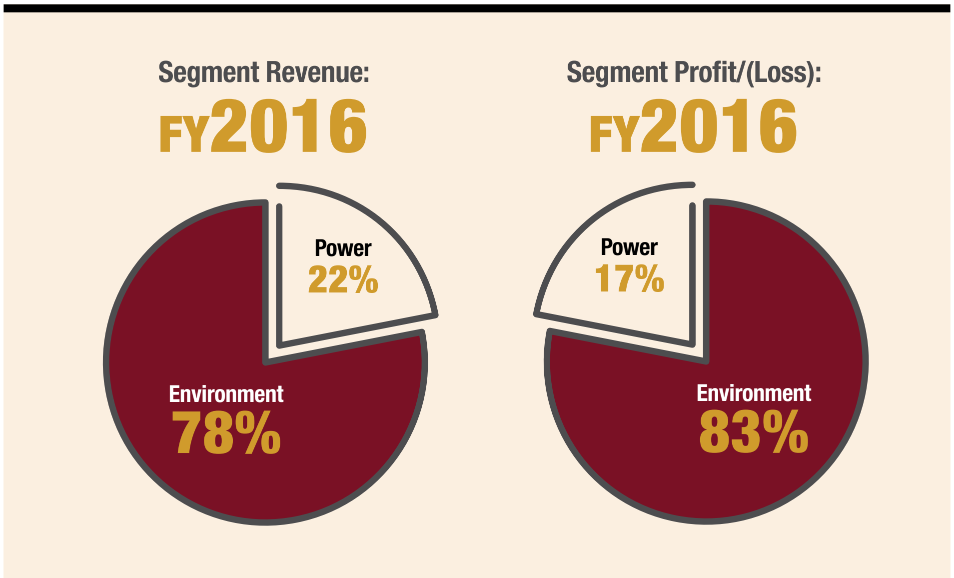
MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

OVERALL FINANCIAL PERFORMANCE

Item	FY2016 RM'million	FY2015 RM'million
Revenue	**1,455.1**	1,315.1
Profit Before Tax	**185.3**	103.1
Normalised Profit Before Tax	(Note 1) **183.2**	(Note 2) 158.6
Profit Net of Tax	**114.0**	51.3
Profit Net of Tax Attributable to Owners of The Parent	**72.1**	22.4
Net Dividend Payout/Proposed in Financial Year 2016	**7.8 sen**	n/a
Earnings Per Share Attributable to Owners of The Parent	**9 sen**	4 sen

Note 1: *The normalised profit before tax for 2016 is adjusted for one-off expenses and gain of the following items:*
- *redemption premium and related cost for Sukuk Musharakah (RM6.5 million) and Islamic Medium Term Notes (RM13.3 million)*
- *negative goodwill arising from acquisition of remaining shares in RWTC (RM21.9 million)*

Note 2: *The normalised profit before tax for 2015 is adjusted for one-off expenses of the following items:*
- *cost of assuming listing status of Symphony House Berhad (RM45.6 million)*
- *cost relating to reverse takeover (RM9.9 million)*



For FY2016, we are pleased to report that we have achieved commendable results and delivered improved earnings despite a challenging year.

For FY2016, the Group recorded revenue of RM1.45 billion registering a year-on-year (YoY) growth of 11% over FY2015. The Normalised Profit Before Tax increased to RM0.18 billion, recording a growth of 15.5% in line with the improved revenue and gross profit margin.

SAJ remains as the Group's main revenue and dividend contributor given its mandate as the sole water service provider in Johor, contributing nearly 75% of our Group's revenue. SAJ's revenue increased by 12% to RM1.1 billion in FY2016 from RM0.97 billion in FY2015. This was due to the higher volume of water consumption arising from the increase in customer base, resulting from new development of housing and industrial areas. The implementation of new tariff which came into effect from 1 August 2015 has also contributed to the increase in revenue.

The Power Division contributed 22% of the Group's revenue. Revenue for this division rose by 7% to RM0.32 billion in FY2016 from RM0.3 billion in FY2015 due to the higher demand. The power business is highly dependent on the demand from Sabah Electricity Sdn Bhd (SESB).

During FY2016, our finance cost was reduced due to the successful redemption of RM100 million Sukuk Musharakah of Ranhill Capital Sdn Bhd and RM220 million Islamic Medium Term Notes of Ranhill Powertron Sdn Bhd. However, we also incurred one-off cost for the early redemption resulting in a lower savings. In FY2016, due to the consolidation of RWTC results into our Group, we recorded a higher finance cost. Nevertheless, with the divestment of our investment in China, the Group's finance cost has been consequently reduced. Moving forward, with the paring down of our Group's borrowings by RM320 million, the future finance cost is expected to be lower.

We have also strengthened our Group's Financial Position with the reduction of RM382.6 million in total the Group Borrowings from RM1.63 billion in FY2015 to RM1.25 billion in FY2016. This has improved the Debt to Equity ratio for non-recourse borrowings to 1.1x from 5.1x. During FY2016, the Group's short term borrowings was substantially reduced due to the reclassification of our Sukuk Musharakah to long term borrowings, thus improving the Group's current ratio.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

For FY2016, Ranhill has made a total interim dividend payment of 5.8 sen per share and to recommend 2.0 sen per share as a final dividend at the forth coming third AGM. This translated into a dividend payout ratio of more than 90%.

ENVIRONMENT SECTOR KPI

In our quest to achieve operational excellence, we continue to implement the various business process improvement initiatives at SAJ and apply new technology to further reduce NRW in Johor. We are also aggressively pursuing opportunities in other states to leverage on our know-how in NRW.

SAJ's Operational

SAJ is focused and committed in meeting Key Performance Indicators (KPIs) as set out by Suruhanjaya Perkhidmatan Air Negara or National Water Services Commission (SPAN). For FY2016, SAJ is on track to meet the Operating Cycle 3 (OP3) 2015-2017 SPAN KPI targets with most of the targets already being achieved in FY2016.

	Targets	Achievement	
Key Performance Indicators	**Operating Cycle 3 Jan 2015 - Dec 2017**	**Operating Cycle 3 2016 (2nd Year)**	**Achievement Indicator**
Supply coverage	**100% urban 99.5% rural**	100% urban 99.8% rural	●
Continuity of water supply, pipe repair and restoration within specified period	**97% to 99.5%**	99.86% to 100%	●
Treated water quality compliance	**95.0% - 99.9%**	90.68% - 99.99%	●
Residual water pressure	**97.0%**	99.77%	●
Water supply complaints response within Customer Charter Schedule	**99.0%**	99.48%	●
Customer billing complaint received responded within 24 hours	**99.0%**	100%	●
Billing efficiency	**99.5%**	99.72%	●
Average collection period	**≤45 days**	41.87 days	●
Percentage of total debts more than 120 days	**≤35%**	32.99%	●
Water loss (NRW)	**24.8%**	25.9%	●

Legend:
- ● Target Achieved
- ● On track for achievement (less than 15% gap from target)

The two KPIs which SAJ is working towards achieving by the end of 2017 are in full compliance on the quality of treated water and meeting the NRW reduction target.

In FY2016, there was a deterioration of raw water quality resulting from the following:

- Heightened agricultural and industrial activities in surrounding and upstream catchment areas, coupled with sewage, domestic waste and leachate from landfills near the raw water sources at Empangan Sembrong, Sg. Skudai and Simpang Renggam.
- The natural soils surrounding Sg. Muar and Sg. Gembut contained high level of aluminum with low pH value due to drainage from project activities in those areas. It is important to note that the level of aluminum content in water treated by SAJ is within the parameters set by the Ministry of Health, making it safe for drinking.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

We have managed to collectively save

472 MLD

of treated water through our NRW projects throughout peninsular Malaysia.

This deterioration of water quality has hampered our achievement of treated water quality compliance. We are continuously engaged in discussions with the authorities to regulate the discharge of pollutants upstream of our water treatment plants. This is to ensure improvement in the raw water quality, which in turn will enable us to further improve our achievement of the treated water quality compliance.

For NRW, we will continue to carry out the planned pipe replacement works, as approved by Pengurusan Aset Air Berhad (PAAB), in order to meet the FY2017 targets.

Throughout the year, SAJ implemented a number of initiatives to ensure sustainability of raw water and treated water supply in meeting future needs through a combination of various strategies. These involved taking an in depth study on the various alternatives such as raw water transfer, water conservation through bunded storages and desalination.

NRW

Our NRW reduction strategy is aligned with targets set by SPAN which is to reduce NRW from 35.5% in 2015 to 25% by the end of 11MP. Our capabilities in the NRW sector has led to RWS securing a RM15.9 million NRW services contract from Air Kelantan Sdn Bhd in 2016, as a continuity to our earlier NRW contract in Kelantan. To date, we have managed to collectively save 472 MLD of treated water through our NRW projects throughout Peninsular Malaysia.

Thailand Operations

Our concessions in Thailand are on Built-Operate-Transfer (BOT) and Built-Transfer-Operate (BTO) with total aggregate capacity of 102 MLD and the concession period ranges from 8 years to 30 years. The facilities in Thailand include water, wastewater and reclaim water treatment plants.

Installation of new equipment by RWS team

POWER SECTOR

Ranhill's footprint in the Power sector is within the state of Sabah in Malaysia where we are the largest Independent Power Producers (IPPs). We operate two 190 MW Combined Cycle Gas Turbine (CCGT) power plants in Kota Kinabalu Industrial Park and have a 21-year Power Puchase Agreement (PPA) with Sabah Electricity Sdn Bhd (SESB) for the sale of up to 380 MW of electrical generation capacity and electricity production.

As the leading IPP in Sabah, providing approximately 37% of the total combined installed capacity of all IPPs in the state, we complied 100% with the requirements under the PPA with SESB, by delivering 380 MW in electrical generation capacity and electricity production.

While this industry is highly regulated and competition is relatively high, growth in the industry is driven by the growth in population and the demand from the commercial and industrial businesses.

In FY2016, we continue to explore opportunities in the Power sector in Sabah, Malaysia and also within the Southeast Asia region.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

FORWARD LOOKING STATEMENT FOR ENVIRONMENT SECTOR

In the mid to long-term, we have a number of opportunities which will strengthen Ranhill's sustainable generation of revenue and profits.

Within Malaysia, a key component of our business strategy was through opportunities derived from the 11MP. The tabled 11MP was intended to integrate the operations of water supply and sewerage services in line with the Water Services Industry Act 2006 (WSIA 2006). Following from this, SAJ entered into a binding Memorandum of Understanding (MOU) with Indah Water Konsortium Sdn Bhd (IWK) on 30 November 2016. The MOU was to undertake a joint review of the Joint Billing Exercise for water supply and sewerage services in the State of Johor. This review however, excludes Johor Bahru City and Pasir Gudang which are currently managed by the respective city councils. We intend to pursue the integration of water supply and sewerage services in Johor. The joint billing agreement finalised between SAJ and IWK opens up new opportunities in gearing the industry towards volumetric tariff. This is an initial milestone towards integrating sewerage services with water supply services in the future.

Additionally under the 11MP, the National NRW Reduction Programme projects will create new opportunities for RWS and other NRW players in the country. Recently, the Federal Government has identified the States for the NRW Reduction Projects and we are carrying out all preparatory work by understanding the conditions to pursue this opportunity when the tender is called. As a leading company in Malaysia on NRW, we are confident of being one of the key players in the National NRW Reduction Programme which is expected to be rolled out in FY2017.

SAJ's ability to consistently meet its production demands makes it a stable contributor to the Group's turnover. Economic projections of around 4.5% growth in Malaysia and 5.5% growth in Johor for FY2017 are indicators that demand for water will continue to rise.

In leveraging our experiences in operations and maintenance of water supply services, we are exploring opportunities to assist other water operators within the country in the operations of water supply as well as providing technical and management services.

In furthering the adoption of innovative technologies to provide our Group with a competitive edge, we will be exploring recycled water technologies in which we have rich experience in building and operating in Thailand. We hope to apply our international knowledge and skills in Johor in areas such as, reusing treated sewage for non-potable usage. We are also conducting studies to identify suitable sources and locations for recycled water opportunity that may help free up additional supply for potable use in Johor.

On the international stage, our strategic partnership with SIIC will facilitate the future business growth in China through enabling a broader access to potential clients and target markets in the procurement of wastewater concessions in China. It also leverages on SIIC's strong presence in China, providing valuable synergies for future growth. We expect a number of potential new business opportunities arising from our strategic alliance with SIIC in the mid to long-term future to increase our current aggregate of 260 MLD wastewater treatment capacity is inclusive of two concessions namely Chongren Wastewater Treatment Plant and Yong Xin County Wastewater Treatment Plant which we expect to commence operations in the 3rd quarter of 2017. Pursuant to the agreement with our strategic partner SIIC, SIIC has injected USD 30 million into RWHK. This has significantly enhanced the financing capability of RWHK to continue to expand its wastewater treatment business in China.

There are a host of exciting new regional opportunities which we will aggressively pursue for the sustainable growth of our business towards achieving our vision of being a regional leader in the Environment sector. These include opportunities in the areas of NRW reduction and management, and technical services for water operators in the region.

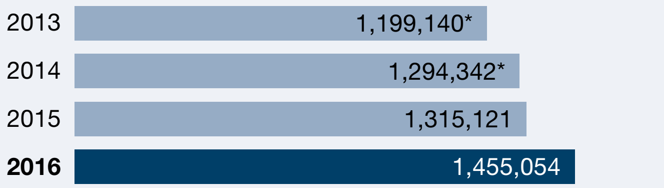
FORWARD LOOKING STATEMENT FOR POWER SECTOR

All ASEAN countries require massive amounts of investments in energy infrastructure with total projected market demand for power in the eight ASEAN countries projected to reach 1,958 terawatt-hour (TWh) by year 2035. With Southeast Asian countries being fast developing region, their need for power will grow exponentially over the coming years and we look forward to capitalise on a number of opportunities that we have identified within the Power sector.

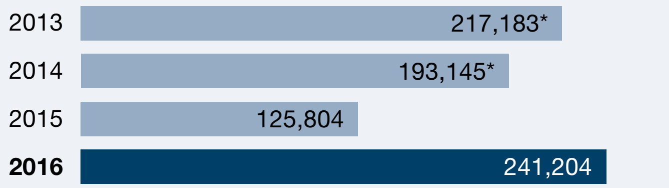
In addition, we will continue to explore growth opportunities in CCGT technology, within the same size and generation capacity that we have experience in. Another area we will be pursuing is renewable energy which offers technological innovations and cost reductions.

GROUP FINANCIAL HIGHLIGHTS

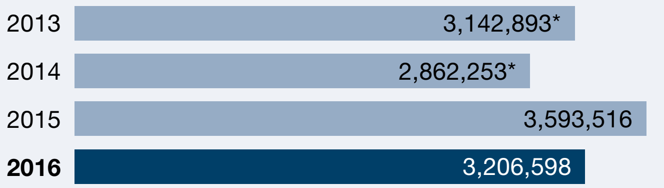
REVENUE (RM'000)



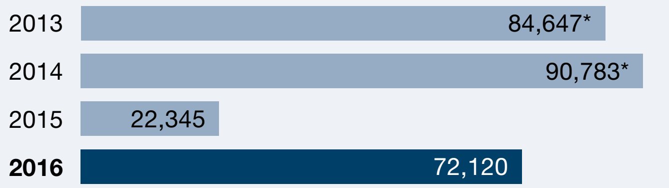
PROFIT FROM OPERATION (RM'000)



TOTAL ASSET (RM'000)



NET PROFIT FOR THE YEAR (RM'000)



	As per Combined Statements		As per Consolidated Audited Financial Statement	
	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	1,199,140	1,294,342	1,315,121	1,455,054
Profit from Operation	217,183	193,145	125,804	241,204
Net Profit for the Year	84,647	90,783	22,345	72,120
Weighted Average Number of Ordinary Share ('000)	565,995	565,995	565,995	822,266
Basic Earnings per Ordinary Share (sen)	14.96	16.04	3.95	8.77
Total Asset	3,142,893	2,862,253	3,593,516	3,206,598
Shareholders' Equity (RM'000)	892,804	811,962	172,868	578,804
Net Asset per Share (RM)	1.58	1.43	0.31	0.70

*Note: *The Company was incorporated on 28 April 2014. Accordingly the comparatives are not comparable. The continuation and combination of Ranhill Entities via the Company are accounted for using the pooling of interest method therefore the comparatives of the Group are presented as if the entities have always been combined from the beginning of the earliest period presented in the financial statements. Such comparatives are not audited as the combined Group was not in existence in the previous financial year.*

SUSTAINABILITY STATEMENT

Our Commitment to Sustainability

Ranhill's Economic, Environmental and Social (EES) Sustainability practices and initiatives are embedded into the DNA of our two business sectors, Environment and Power. We are cognisant that the manner in which we manage and operate our businesses which covers the resources of water and electricity, matters a great deal in furthering the sustainability initiatives. This simultaneously contributes to the issue of combating climate change within our regional operations.

At Ranhill, we aspire to create a sustainable business and shared values with our stakeholders. We also adhere to strong and enhanced governance processes across the Group in all our markets of operation.

Our aspiration is in tandem with our vision of "Enriching Lives through Sustainable Solutions" and our mission of "Becoming the Regional Leader in the Environment and Power Sectors".

We strongly believe that we can achieve our vision and mission through the practice of our core values of "Respect, Resourceful and Result" which are embedded into our business conduct.

Ranhill's Four Pillars of Sustainability

Our Sustainability Strategy is closely aligned with global sustainability guidelines as well as those outlined by Bursa Malaysia Sustainability Reporting Guide for companies listed on the Main Market.

Sustainability at Ranhill

Sustainability Governance

At Ranhill, our Sustainability Leadership and Governance resides with the Board of Directors and is supported by the respective policies and procedures currently in place. The custodian of Ranhill's Sustainability Strategy and its related plans is the Group Corporate Affairs department.

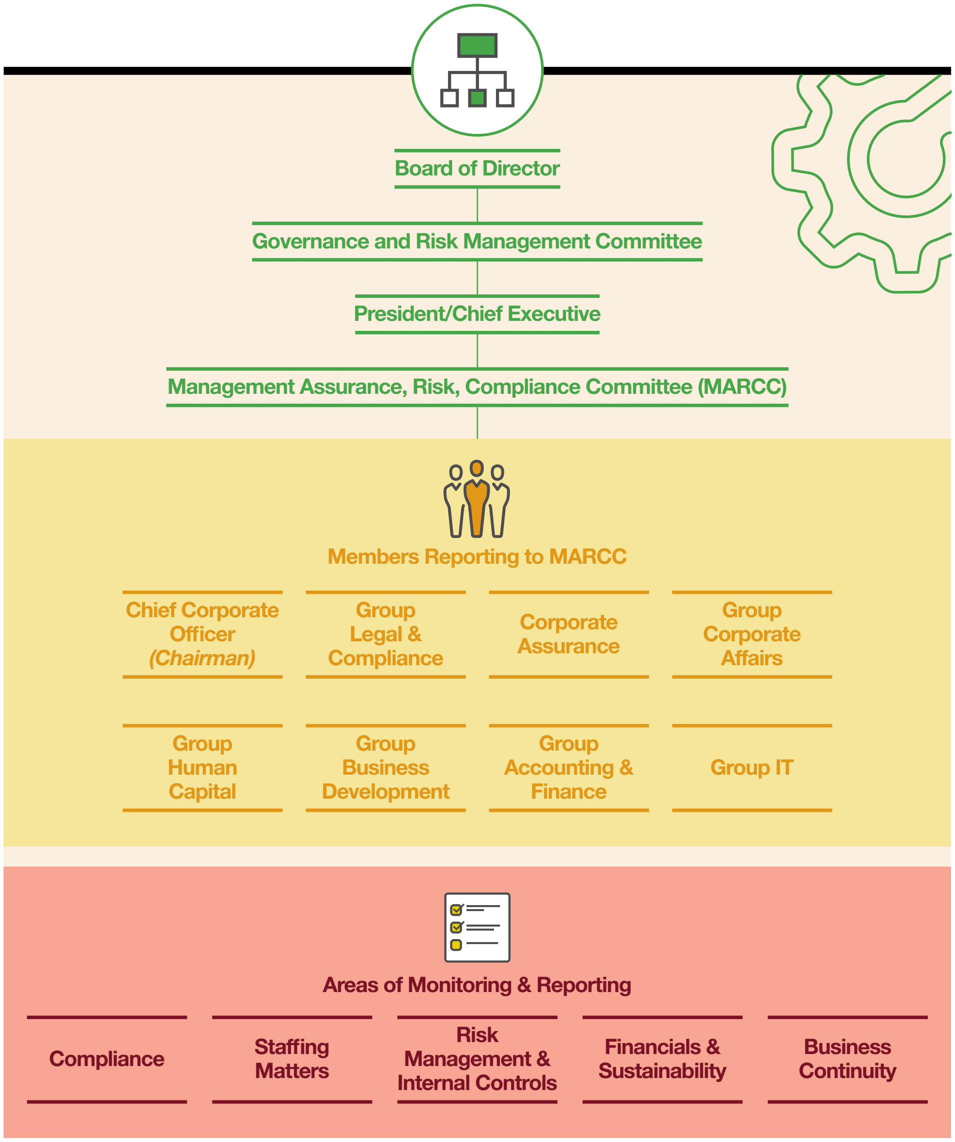
The Board is committed in promoting sustainability practices in the Group and maintaining a good balance in relation to the environmental, social and governance aspects of the Group's businesses. Overall accountability of the sustainability agenda to the Board is conducted through various channels.

SUSTAINABILITY STATEMENT (CONT'D)

The Board's overall view of sustainability at Ranhill is conducted under the Governance and Risk Management Committee (GRMC), with its functions as follows:

i. Review and assess sustainable impacts of major business decisions and recommend appropriate actions required;
ii. Review and recommend to the Board the sustainability strategies and plans that will create long-term shareholder value including budget required in implementing sustainability initiatives;
iii. Advise the Board on adoption of Corporate Sustainability (CS) targets and innovative initiatives;
iv. Examine the annual assessment of Ranhill's environmental performance and progress, and approve methods of measuring, assessing or validating the Group's Corporate Sustainability performance, and where appropriate, to commission an external independent assessment of the direct and indirect impact of any aspect of the Group's operations;
v. Assess the effectiveness of the Group policies and systems in identifying and managing health and safety at the workplace;
vi. Assess the environment and community risks that are material to the achievement of the Group's objectives;
vii. Monitor and provide recommendations to the Board on public policy, consumer, stakeholder, corporate and public trends, issues and developments that could impact the Group;
viii. Review business continuity management including emergency plans and crisis readiness as well as to review incidents within the scope of GRMC and assess remedial actions; and
ix. Review and recommend the Sustainability Report to be incorporated in the Annual Report for Board approval.

Sustainability Governance Structure



Our Sustainability Statement should be read together with our standalone 2016 Sustainability Report (SR2016) as it provides a more in depth and inclusive reporting of our methodology in managing our risks and opportunities. Our Sustainability Report is written in accordance with the Global Reporting Initiative (GRI) G4.0 framework (the GRI Content Index Service "In Accordance" Option Core).

SUSTAINABILITY STATEMENT (CONT'D)

Below are some snapshots on our EES achievements as guided by our Sustainability Strategy:

Environmental Awareness & Perseverance

Preserving Water Resources

PROGRAMME NAME

SAJ's Water Education Programme

CONCEPT

Learn
Experience
Action
Conserve

OBJECTIVE

- √ To educate school children on the importance of water conservation and preserving the environment
- √ To develop comprehensive module towards water conservation through idea generation via young students
- √ Part of a build-up campaign for World Water Day celebration on 22nd of March yearly
- √ Part of SAJ's initiative to have smart partnerships and collaborations with related government agencies/NGOs

ACTIVITIES

- √ Educational exhibition (simulation)
- √ Water Quality Test Activity conducted by Young Water Professionals
- √ Educational Talks
- √ Public Speaking Competitions
- √ Water Workshops
- √ Interactive activities

TARGET AUDIENCE

Primary School Students in Johor

Year	No. of Schools
2010	12
2011	20
2012	35
2016	24

Note: No programme conducted in 2013-2015 as the team focused more on community outreach activities relating to drought and other water conservation activities.

THE RESULTS IN 2016

34 %
Highest reduction of water consumption

17 %
Average reduction of water consumption

Greenhouse Gas (GHG)

3 years of total electricity consumption (SAJ)

Performance Measure	2016	2015	2014
Electricity consumption (GWh)	213.34	274.93	229.49

3 years of total CO_2 emission (SAJ)

Performance Measure	2016	2015	2014
Total CO_2e emissions (tonnes)	269,268.24 mt CO_2eq	256,825.20 mt CO_2eq	208,152.86 mt CO_2eq
Scope 1 CO_2e emissions (tonnes)	4,579.48 mt CO_2eq	3,360.77 mt CO_2eq	3,512.57 mt CO_2eq
Scope 2 CO_2e emissions (tonnes)	242,060.79 mt CO_2eq	231,009.34 mt CO_2eq	182,729.54 mt CO_2eq
Scope 3 CO_2e emissions (tonnes)	22,627.97 mt CO_2eq	22,455.09 mt CO_2eq	21,910.75 mt CO_2eq

3 years of total carbon intensity (SAJ)

Performance Measure	2016	2015	2014
Carbon Intensity	0.3590 kg CO_2eq/m^3 raw water	0.4114 kg CO_2eq/m^3 raw water	0.3592 kg CO_2eq/m^3 raw water

SUSTAINABILITY STATEMENT (CONT'D)

3 years of NOx and SOx Emission (Ranhill Power)

Performance Measure	2016	2015	2014
NOx Emission (tonne)			
Ranhill Power O&M (ug/m^3)	55.5	44.9	84.1
Ranhill Power II O&M - Stack HRSG1A (g/m^3)	0.623	0.019	0.260
Ranhill Power II O&M - Stack HRSG1B (g/m^3)	0.898	0.011	0.147
SOx Emission (tonne)			
Ranhill Power O&M (ug/m^3)	145	119	116
Ranhill Power II O&M - Stack HRSG1A (g/m^3)	0.257	0.129	0.173
Ranhill Power II O&M - Stack HRSG1B (g/m^3)	0.187	0.030	0.174

Contribution Towards Social Wellbeing

1) Capacity Building - Society

Through the "Komuniti Jimat Air" Programme, SAJ plays an important role in the water conservation awareness among the local communities. The main objective of the programme is to reduce water consumption.

2,300

people involved in the "Komuniti Jimat Air" Programme

2) Access to Water and Power for the Underprivileged

2,910

Number of households benefited from our water rebate programme

300 villagers

in Babalitan Sabah have access to electricity through micro-hydro project

3) Industry Development

Our NRW specialist, RWS is actively involved in NRW Management Awareness Programme to targeted groups. They are also active in conducting presentations and trainings on NRW at conferences such as Water Loss Asia 2016 in Bangalore and Jakarta, Asia Water 2016 in Kuala Lumpur, and Smart Water Technology Workshop in Singapore. RWS is also recognised as one of the NRW trainers to United States Agency for International Development (USAID) and World Bank's NRW Programme.

Ranhill Power organised Educational Motivational Talks for its employees' dependents and also accommodates educational and working visits from polytechnics, colleges and local "Jabatan Keselamatan dan Kesihatan Pekerjaan" (JKKP).

SUSTAINABILITY STATEMENT (CONT'D)


Motivational Talk 2016


Asia Water 2016 Kuala Lumpur


Polytechnic Visit 2016

Inspirational Workplace & Culture

Health & Safety

Lost Time Injury (LTI)

2016	2015	2014
3	7	5

Note: LTI is defined as an occurrence that resulted in a fatality, permanent disability and any work related injury or illness which caused the employee unable to perform his normal duties.

OHSAS 18001 Certification

SAJ:
- SAJ Headquarters
- Sg. Sayong Water Treatment Plant
- Semangar Water Treatment Plant
- Sg. Johor Water Treatment Plant
- Sg. Lebam Water Treatment Plant
- Tenglu Water Treatment Plant
- Sultan Iskandar Water Treatment Plant
- Sri Gading Water Treatment Plant
- Gersik Water Treatment Plant

Ranhill Power:
- Teluk Salut Power Station
- Rugarding Power Station

Capacity Building - Employees and Organisation

115,197

TRAINING HOURS

We continuously aim to enhance and ensure that equal and suitable training opportunity is provided to all employees

58%

TECHNICAL TRAINING

58% of the trainings invested in 2016 are of Technical background, which reflects the nature of our business activities

78%

PARTICIPATION

78% of our female employees who attended trainings in 2016 are from the Executive and Non-Executive category

379

We took in 379 internship students in 2016 for placements in various areas of our operations, focusing on developing their technical and non-technical skills plus gaining insight on Ranhill's business in the power and environment sectors.

SUSTAINABILITY STATEMENT (CONT'D)

Enhancing Governance Across the Group

A number of internal policies and procedures have been drawn up to ensure the highest standards of delivery to our customers, which defines Ranhill's commitment to guarantee the best service to all customers for all key services, which includes a Fraud and Whistleblowing Policy and Procedure as part of our anti-bribery and anti-corruption measures.

"In 2016, we launched our whistleblowing campaign"

Taking SAJ as an example, in terms of meeting external stakeholder's requirement, SAJ's policies and procedures are in accordance with the provisions in the Water Services Industry Act, 2006 (WSIA 2006) and its subsidiary legislation. Water supply services agreement signed between the customers and SAJ clearly stated the responsibilities of the water distribution licensee and customers' obligations. SAJ also published its Customer Charter and signed the Corporate Integrity Pledge as the company's commitment to guarantee the best service to its customers.

SAJ's Integrity Pledge 2016

Whistleblowing campaign

BOARD OF DIRECTORS


1


2


3


4


5

1. **TAN SRI AZMAN YAHYA**
   Chairman/Non-Independent Non-Executive Director
2. **TAN SRI HAMDAN MOHAMAD**
   Executive Director/President and Chief Executive
3. **DATO SRI LIM HAW KUANG**
   Executive Director
4. **TAN SRI SAW CHOO BOON**
   Senior Independent Non-Executive Director
5. **LIM HUN SOON @ DAVID LIM**
   Independent Non-Executive Director

BOARD OF DIRECTORS (CONT'D)

6

7

8

9

10

11

6. DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI
Independent Non-Executive Director

7. DATO' ZULKIFLI IBRAHIM
Independent Non-Executive Director

8. ABU TALIB ABDUL RAHMAN
Independent Non-Executive Director

9. LOONG MEI YIN
Non-Independent Non-Executive Director

10. DATUK ABDULLAH KARIM
Independent Non-Executive Director

11. IZADDEEN DAUD
Non-Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

TAN SRI AZMAN YAHYA

AGE 53 M

Chairman/Non-Independent Non-Executive Director

APPOINTED TO THE BOARD 01/09/2014

BOARD MEETINGS ATTENDED 10/11

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Chairman)
- Nominating And Remuneration Committee (Member)

QUALIFICATION

- Bachelor of Science (First Class Honours) degree in Economics from the London School of Economics and Political Science
- Member of the Institute of Chartered Accountants in England and Wales
- Fellow of the Institute of Bankers
- Member of the Malaysian Institute of Accountants

SKILLS AND EXPERIENCE

Tan Sri Azman Yahya started his career at KPMG in London. In 1988 he returned to Malaysia where he built his career in investment banking to become the Chief Executive of Amanah Merchant Bank. During the Asian Financial Crisis in 1998, Tan Sri Azman was tasked by the Malaysian Government to set-up and head Danaharta, the national asset management company to acquire, manage and resolve the non-performing loans in the banking sector. He was also the Chairman of Corporate Debt Restructuring Committee, set up by Bank Negara Malaysia, to mediate and assist in debt restructuring programmes of viable companies. In 2003, he returned to the private sector and is currently the Executive Chairman of Symphony Life Berhad.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Khazanah Nasional Berhad
- Ekuiti Nasional Berhad
- Symphony Life Berhad (Executive Chairman)
- AIA Group Limited, Hong Kong

In addition, he serves on the following organisations:
- Special Economic Council of the Prime Minister's Department (Member)
- Capital Market Advisory Group of the Securities Commission (Member)
- Motorsports Association of Malaysia (Chairman)
- Sepang International Circuit Sdn Bhd (Chairman)

TAN SRI HAMDAN MOHAMAD

AGE 61 M

Executive Director/President and Chief Executive

APPOINTED TO THE BOARD 01/12/2015

BOARD MEETINGS ATTENDED 10/11

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Engineering degree from the University of Western Australia
- Masters of Science degree in Engineering from Imperial College of Science and Technology, University of London
- Fellow of the Institution of Engineers, Malaysia
- Professional Engineer registered with the Board of Engineers, Malaysia
- Fellow and a Chartered Engineer registered with the Institute of Civil Engineers, United Kingdom

SKILLS AND EXPERIENCE

Tan Sri Hamdan Mohamad started his career as a Structural Engineer at the engineering consulting firm of Ranhill Bersekutu Sdn Bhd ("**RBSB**") in 1981. Upon his return to Malaysia after completing his Masters Degree, he was appointed as Director of RBSB in 1988 and eventually became the President and Chief Executive Officer of RBSB in 1995. On 15 November 2000, he became Executive Director of Ranhill Berhad ("**RB**") where he spearheaded RB and the RB Group's expansion from an engineering and consulting based firm to a full-fledged organisation that engineers, constructs, owns and operates facilities in diverse segments including the infrastructure, environment, power and oil and gas segments. Following the delisting of RB in 2011, he was appointed as the Executive Director in Ranhill Energy and Resources Berhad (now known as Ranhill Energy and Resources Sdn Bhd) on 2 January 2013 and subsequently on 14 June 2013, he was appointed as Group President and Chief Executive, a position he held before his appointment as our Executive Director.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Senai Desaru Expressway Berhad

BOARD OF DIRECTORS' PROFILE (CONT'D)

DATO SRI LIM HAW KUANG

AGE 63 M

Executive Director

APPOINTED TO THE BOARD
01/09/2014

BOARD MEETINGS ATTENDED
10/11

BOARD OF COMMITTEE MEMBERSHIPS

- Governance And Risk Management Committee (Member)
- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Science (Computing Science) degree from Imperial College, University of London
- Master of Business Administration degree in International Management from IMD Switzerland (formerly known as International Management Institute, Geneva)

SKILLS AND EXPERIENCE

Dato Sri Lim Haw Kuang worked for Shell for 34 years and held various senior executive positions including Executive Chairman of Shell Companies in China; Vice President Corporate Strategy and Planning for Shell International; President Oil Products for Asia Pacific and Middle East; Chairman of Shell Malaysia and Managing Director of Shell Malaysia Exploration and Production; Senior Corporate Adviser, Asia Pacific for Shell International; and Business Development Manager for Former Soviet Union and Sakhalin for Shell International Gas. In 2011, the Beijing Municipal Government honoured him with the "Great Wall Friendship Award" for his contributions to the City. He is an international council member of the China Council for International Cooperation on Environment and Development. He was previously the President of Malaysia Business Council for Sustainable Development and a director of China Business Council for Sustainable Development. He has been awarded state honours by the Malaysian Government. He is also an honorary citizen of Texas and the City of Houston, United States of America.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Sime Darby Berhad

Dato Sri Lim is also a Board member of Bank Negara Malaysia and the ENN Group in China.

TAN SRI SAW CHOO BOON

AGE 71 M

Senior Independent Non-Executive Director

APPOINTED TO THE BOARD
01/09/2014

BOARD MEETINGS ATTENDED
11/11

BOARD OF COMMITTEE MEMBERSHIPS

- Nominating And Remuneration Committee (Chairman)
- Governance And Risk Management Committee (Chairman)

QUALIFICATION

- Bachelor of Science (Honours) degree in Chemistry from the University of Malaya

SKILLS AND EXPERIENCE

Tan Sri Saw Choo Boon has 40 years of continuous service with Shell, having joined the company in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, he was appointed Managing Director (MD) of Shell MDS (Malaysia) Sendirian Berhad. From 1998 until 1999, he was MD for Oil Products (Downstream) Shell Malaysia and MD of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalsation of the Shell Oil Products business, he was appointed the Vice President (VP) of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East, while in 2005, he was appointed VP Global Marine Products. On 18 May 2006, he was appointed as Chairman of Shell Malaysia, and on 1 January 2010 as Senior Advisor, positions he held till his retirement on 30 June 2010. He was also VP Business Development Asia Pacific responsible for developing the commercial businesses in new market entries in Asia - China, India, Indonesia and Vietnam.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- RHB Bank Berhad
- RHB Investment Bank Berhad
- Digi.Com Berhad
- Phoenix Petroleum (M) Berhad
- Integrated Petroleum Berhad
- MRCB Quill Management Sdn Bhd

In addition, he serves on the following association:

- Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH)
- He has been the immediate Past President of the Federation of Malaysian Manufacturers Council
- Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia

BOARD OF DIRECTORS' PROFILE (CONT'D)

LIM HUN SOON @ DAVID LIM

AGE 62 M

Independent Non-Executive Director

APPOINTED TO THE BOARD
01/12/2015

BOARD MEETINGS ATTENDED
11/11

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee (Chairman)
- Strategy And Investment Committee (Member) (Relinquished w.e.f 16 November 2016)

QUALIFICATION

- Bachelor of Arts degree in Economics from the University of Leeds
- Member of the Institute of Taxation, United Kingdom
- Chartered Accountant in England and Wales
- Member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants (now known as Malaysian Institute of Certified Public Accountants ("MICPA")

SKILLS AND EXPERIENCE

Lim Hun Soon @ David Lim started his career with KPMG (previously Peat Marwick Mitchell) in the UK. He returned to Malaysia in 1982 to continue with KPMG. Lim has a 33 year long career at KPMG, where he was admitted as Partner (April 1990), and served in the Management Committee (1997-2001) and in KPMG's Partnership Supervisory Council (2002-2010). He was also the Asian Anchor Practice representative for Marketing (2000-2001), where he gained extensive knowledge and insights from KPMG Global counterparts worldwide. He retired from KPMG in 2011. Lim has been an examiner for Company Law examinations conducted by MICPA for over 10 years. From 2002 till 2004, he was Chairman of MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee. In May 2013, he was appointed as council member of the Institute of Chartered Accountants in England and Wales (the first time Malaysia was granted a seat in the Council) for a term of two years till June 2015, which was then renewed for a further two year term till May 2017.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Manulife Holdings Berhad
- Ann Joo Resources Berhad
- Sasbadi Holdings Berhad
- Kawan Food Berhad
- Manulife Insurance Berhad
- Rockwills Trustee Bhd
- Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad)
- Affin Investment Berhad (formerly known as Affin Investment Bank Berhad)
- Fairview Schools Berhad

DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI

AGE 57 M

Independent Non-Executive Director

APPOINTED TO THE BOARD
01/12/2015

BOARD MEETINGS ATTENDED
11/11

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee (Member)
- Governance And Risk Management Committee (Member)

QUALIFICATION

- Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London
- Masters in Law from Queen Mary College, University of London
- Bachelor of Law (Honours) from the University of Buckingham, United Kingdom

SKILLS AND EXPERIENCE

Datuk Seri Dr. Nik Norzrul Thani obtained a post-graduate Diploma in Syariah Law and Practice (with distinction) from the International Islamic University Malaysia in 1987. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was formerly a Visiting Fulbright Scholar, Harvard Law School and Chevening Fellow at the Oxford Centre of Islamic Studies. He is also a Fellow of the Financial Services Institute of Australia (FINSIA). Currently he is the Chairman and Senior Partner of Zaid Ibrahim & Co (a member of ZICOlaw). Prior to joining Zaid Ibrahim & Co., he was with Baker & McKenzie (International Lawyers), Singapore.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Fraser & Neave Holdings Berhad
- UMW Holdings Berhad & Group
- Al Rajhi Banking & Investment Corporation (M) Berhad
- MSIG Insurance (M) Berhad
- T7 Global Berhad (formerly known as Tanjung Offshore Berhad)
- Chin Hin Group Berhad
- Asia Institute of Finance Berhad
- BNM Kijang Berhad
- Pelaburan Mara Berhad
- Amanah Saham Nasional Berhad

BOARD OF DIRECTORS' PROFILE (CONT'D)

DATO' ZULKIFLI IBRAHIM

AGE 62 M

Independent Non-Executive Director

APPOINTED TO THE BOARD
01/12/2015

BOARD MEETINGS ATTENDED
9/11

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Science (Honours) degree in Electrical and Electronics Engineering from Leeds University, United Kingdom
- Professional Engineer with the Board of Engineers, Malaysia
- Member of the Institution of Engineers, Malaysia

SKILLS AND EXPERIENCE

Dato' Zulkifli Ibrahim began his career with the National Electricity Board (now known as Tenaga Nasional Berhad ("TNB")) in 1979 where he was a member of TNB's task force, reviewing the Malaysian Grid Code. He has over 8 years' experience in power plant construction and commissioning, having overseen the design of 6 large power plants throughout Malaysia. His extensive experience includes stints as General Manager (GM) of Operation and Maintenance at Sikap Power Sdn Bhd (1993) with the 1,303 MW Lumut power plant; and setting up Teknik Janakuasa Sdn Bhd ("TJSB") in 1994, the first 100% Malaysian-owned and managed company involved in managing the operations and maintenance of power plants, where he was GM, before being appointed Chief Operating Officer (COO) in 1996. He was also COO of Malakoff Berhad (1997), CEO of Rangkai Positif Sdn Bhd for the 2,100 MW coal-fired power plant in Tanjung Bin, Johor (June 2002), Director of Asdeq Services Sdn Bhd for the 1,400 MW Jimah coal-fired power plant (May 2003), and Executive Director of Jimah Energy Ventures Sdn Bhd ("Jimah") for the Jimah power plant (September 2004). He was appointed Managing Director of Jimah on 1 June 2005 up till his retirement in January 2014.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

ABU TALIB ABDUL RAHMAN

AGE 64 M

Independent Non-Executive Director

APPOINTED TO THE BOARD
01/12/2015

BOARD MEETINGS ATTENDED
11/11

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee (Member)
- Nominating And Remuneration Committee (Member)
- Governance And Risk Management Committee (Member)

QUALIFICATION

- Bachelor of Law (Honours) degree from University of London
- Certificate of Legal Practice from Lembaga Kelayakan Malaysia

SKILLS AND EXPERIENCE

Abu Talib Abdul Rahman started his career as a banker with Bank Pertanian Malaysia. He then moved to work in a merchant bank before harnessing further experience with a commercial bank, Bank Bumiputera Malaysia Berhad from 1981 up to 1985. During his tenure at Bank Bumiputera Malaysia Berhad, he was also entrusted to supervise the construction of UMNO building and Putra World Trade Centre which began in 1981 until its completion in 1984. From 1986 to 1991, he worked as partner of other legal firms before establishing Messrs Abu Talib Shahrom (formerly known as Messrs Abu Talib Shahrom Khamil & Zahari) ("ATS"). Being a founding partner of ATS, his area of legal expertise encompasses corporate law, corporate secretarial, corporate finance and banking, commercial contracts, construction and private finance initiative projects with the Government of Malaysia. As of 1 January 2017, he has retired as a partner of ATS, after assuming his position as the Managing Director of Sumatec Resources Berhad.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Senai-Desaru Expressway Berhad
- Sumatec Resources Berhad

BOARD OF DIRECTORS' PROFILE (CONT'D)

LOONG MEI YIN

AGE 47 F

Non-Independent Non-Executive Director

APPOINTED TO THE BOARD
16/11/2016

BOARD MEETINGS ATTENDED
2/2

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Science degree, majoring in Accounting, Finance and Computer Science from Monash University, Australia
- Chartered Financial Analyst (CFA) charter holder

SKILLS AND EXPERIENCE

Loong Mei Yin is the Deputy CEO and a co-founder of TAEL Partners Ltd, a regional ASEAN-centric private equity firm established in 2007. She brings with her more than 20 years of financial industry experience, in areas of private equity and investment banking. She started her career in banking in 1992 with a commercial bank, and subsequently joined Schroders Malaysia in 1994. During her tenure with Schroders, she led the execution of domestic/cross-border debt and equity capital market transactions for a diverse base of business groups. Loong joined United Overseas Bank in 1999 and her last position was Executive Director with UOB Asia in 2007. After being part of the Malaysian capital markets team, she went on to spearhead the Thai investment banking team. During this period, she was instrumental in partnering with Thai families to consolidate their business platforms to drive growth and expansion.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

Loong Mei Yin is a corporate representative of Cheval Infrastructure Fund L.P (acting via its general partner, TAEL Management Co. (Cayman Ltd) ("Cheval") on the board of Ranhill Holdings Berhad. Cheval is presently a Major Shareholder of Ranhill Holdings Berhad.

DATUK ABDULLAH KARIM

AGE 65 M

Independent Non-Executive Director

APPOINTED TO THE BOARD
31/03/2017

BOARD MEETINGS ATTENDED
N/A

BOARD OF COMMITTEE MEMBERSHIPS

- Nominating And Remuneration Committee (Member)

QUALIFICATION

- Bachelor of Science degree in Mechanical Engineering from the University of Western Australia
- Diploma in Gas Engineering from the Illionis Institute of Technology, USA

SKILLS AND EXPERIENCE

Datuk Abdullah Karim has over 39 years' experience in the oil and gas (O&G) industry, having had a long career with PETRONAS which he joined in 1977. From July 2012 till his retirement in July 2016, he was Vice President (VP) & Venture Director, LNG Project-Domestic, Global LNG, Upstream, PETRONAS. Datuk Abdullah has also served as Project Engineer (1981) and General Manager Engineering Division (1991) in PETRONAS Carigali Sdn Bhd responsible for petroleum engineering, drilling and facilities development in new O&G fields. He has been Executive Assistant to the President of PETRONAS (1994) and Managing Director/Chief Executive Officer (MD/CEO) of OGP Technical Services Sdn Bhd (1995-1999). In 1999, he became MD/CEO of Malaysia LNG Group of Companies, responsible for construction of the MLNG 3 plant, marketing and operations of PETRONAS LNG Complex in Bintulu. He was also VP, Exploration & Production Business (2004), before being appointed VP PETRONAS and MD/CEO of PETRONAS Carigali, a wholly owned subsidiary of PETRONAS involved in O&G exploration, development and production in Malaysia as well as in 23 countries worldwide in March 2007. In July 2010, Datuk Abdullah was appointed President, PETRONAS Carigali, and VP/CEO of PETRONAS Development & Production.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Icon Offshore Berhad
- Uzma Berhad

BOARD OF DIRECTORS' PROFILE (CONT'D)

IZADDEEN DAUD

AGE 49

M

Non-Independent Non-Executive Director

APPOINTED TO THE BOARD
31/03/2017

BOARD MEETINGS ATTENDED
N/A

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Science (Honours) degree in Accounting and Law from De Monfort University, Leicester, United Kingdom

SKILLS AND EXPERIENCE

Izaddeen Daud was the Chief Executive Officer of ASM Investment Services Berhad from 2007 to 2008, Assistant Vice President of Permodalan Nasional Berhad from 1999 to 2007, Senior Manager of Perwira Affin Merchant Bank Berhad from 1993 to 1998, Senior Officer of Oriental Bank Berhad and Junior Auditor of Ernst & Young between 1991 to 1993. At present, he is an Executive Director of Australasia LNG Pty Ltd, a Director of Kumpulan Prasarana Rakyat Johor ("KPRJ"), Universiti Utara Malaysia, Desaru Development Corporation, Permodalan Darul Takzim and several other private limited companies.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Iskandar Waterfront City Berhad
- Johor Corporation Berhad
- Iskandar Investment Berhad

Izaddeen Daud is a corporate representative of Permodalan Darul Takzim ("PDT") on the board of Ranhill Holdings Berhad. PDT is presently a Major Shareholder of Ranhill.

None of the Directors have:

- any family relationships with any directors and/or major shareholders of the Company;
- any conflict of interest with the Company save as disclosed in the related party transactions of the Annual Report and the Circular to the Shareholders dated 29 April 2017; and
- been convicted of any offence within the past 5 years (other than traffic offences, if any) and have not been imposed any public sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2016.

SENIOR KEY MANAGEMENT'S PROFILE

DATUK IR. MUSTAZA SALIM

Chief Corporate Officer

AGED 60, MALAYSIAN, MALE

Date of Appointment

1 June 2016

Qualification

Bachelor of Science (Hons) in Civil Engineering from Aston University (U.K.).

Working Experience

Datuk Ir. Mustaza Salim started his career in the Public Works Department (PWD) in 1978. In his 18 years at PWD, he held various positions including site engineer, design engineer, senior executive engineer and district engineer. He was involved in the formulation, planning and implementation of various building and highway projects. In 1996, Datuk Ir. Mustaza joined Bumi Hiway, overseeing project development and management of infrastructure projects such as highways and bridges, both within Malaysia and overseas. His last post there was Executive Director in charge of operations. He joined Ranhill Berhad in 2003 as Vice President of Special Projects in charge of project development, project assessments and business development for projects in Malaysia and overseas. In 2004, he was appointed as CEO of Senai-Desaru Expressway Berhad where he is currently the Chairman. He also has directorships with Ranhill Bersekutu Sdn Bhd and SAJ Ranhill Sdn Bhd. He is a Corporate Member of the Institution of Engineers, Malaysia; Professional Engineer of Board of Engineers, Malaysia; a member of the Road Engineering Association of Malaysia; and a Council Member of the Association of Consulting Engineers Malaysia.

Directorship in Public Companies

Senai-Desaru Expressway Berhad

CHOO CHEE KEEN

Chief Financial Officer

AGED 47, MALAYSIAN, MALE

Date of Appointment

1 June 2016

Qualification

Accounting Degree in Chartered Institute of Management Accountants in 1997. A Chartered Accountant registered with Malaysian Institute of Accountants since 1999. He was accorded with Fellowship of the Chartered Institute of Management Accountants in 2005.

Working Experience

Choo Chee Keen began his career in 1994 with Soctek Sdn Bhd. He then worked with Merces Builders Sdn Bhd and Nam Fatt Corporation Berhad, before joining Ranhill Group in 2005 as General Manager of Ranhill Engineers & Constructors Sdn Bhd. His career progressed as GM of Group Accounting & Finance of Ranhill Group in 2013, and a year later as VP of Group Accounting & Finance. Upon the completion on the Reverse-Take-Over (RTO) in 2015, Choo assumed the role of CFO of Ranhill Holdings Berhad effective 1 June 2016. Choo has more than 20 years of experience covering various financial and taxation roles notably listing exercises, negotiations with tax authorities in Sudan, and participating in corporate finance exercises such as the raising of USD220 million Guaranteed Notes by Ranhill Berhad and RM800 million Sukuk Musharakah issued by Ranhill Group Sdn Bhd.

Directorship in Public Companies

Nil

SENIOR KEY MANAGEMENT'S PROFILE (CONT'D)

DATO' AHMAD FAIZAL ABDUL RAHMAN

Chief Executive Office, SAJ Ranhill Sdn Bhd
AGED 48, MALAYSIAN, MALE

Date of Appointment

31 March 2017

Qualification

Advanced Management from Said Business School, University of Oxford (U.K.) BA (Hons) Accounting and Financial Management from University of Essex (U.K.).

Working Experience

Dato' Ahmad Faizal Abdul Rahman started his career in banking and finance with the Maybank Group from 1994 until 2006, holding positions within Aseambankers Malaysia Berhad and PT Maybank Indocorp (Indonesia). He was also with the Government's Special Purpose Company, Danaharta Nasional Berhad from 1999 to 2002. In March 2006, he joined Prokhas Sdn Bhd, a company under Minister of Finance (MOF) Inc. where he provided financial advisory and undertook strategic reviews in the areas of debt capital markets and financial management. In 2009, Dato' Ahmad was appointed CEO of Pengurusan Aset Air Berhad (PAAB), a water asset management company wholly-owned by MOF Inc., with PAAB's main role to assist to the Government to implement the newly established Water Services Industry Act 2006 and to develop, upgrade and manage national water infrastructure. During his tenure in PAAB untill 2016, he also served as Board Member in PAAB, Pengurusan Air SPV Berhad, Acqua Berhad and Indah Water Konsortium (IWK) Berhad. He joined Ranhill Group on 1 February 2017 as Executive Director of SAJ Ranhill Sdn Bhd and was appointed its CEO on 31 March 2017.

Directorship in Public Companies

Nil

KHAIRUL EFFENDY TUSAM

Chief Executive Officer, Ranhill Water Services Sdn Bhd
AGED 45, MALAYSIAN, MALE

Date of Appointment

1 November 2016

Qualification

Bachelor of Applied Science in Construction Management & Economics at Curtin University of Technology, Perth, Australia.

Working Experience

Khairul Effendy Tusam began his career with a QS consulting firm managing residential, commercial, infrastructure and governmental development projects. In 2004, he joined SAJ Ranhill Sdn Bhd (formerly known as SAJ Holdings Sdn Bhd) as the Head of Contract Section, where he managed all SAJH's contracts state-wide with a total value of RM1.5 billion. In 2009, he moved to Ranhill Water Services as a project manager for a leakage reduction contract in Riyadh, Saudi Arabia. In 2011, Khairul came back to Malaysia and was appointed the Head of Business Development for RWS. Khairul also served as a mentor for several Water Operator Partnership programs in the region representing RWS which includes Indonesia and Sri Lanka. He has presented several international papers related to Non-Revenue Water on behalf of the company at Water Loss Conferences, Asia Water, Water Malaysia and Borneo Water events. During Khairul's tenure in RWS, the company has completed more than RM650 million value of water related contracts, and has saved more than 470 Mld of treated water through its NRW contracts.

Directorship in Public Companies

Nil

SENIOR KEY MANAGEMENT'S PROFILE (CONT'D)

SHAMSUL FAHMI MOHAMAD PADZLI

Chief Executive Officer, Ranhill Water Technologies Sdn Bhd

AGED 39, MALAYSIAN, MALE

Date of Appointment

1 December 2016

Qualification

Advanced Diploma in Tourism and Hospitality Management at Olympia College, Malaysia.

Working Experience

Shamsul Fahmi Mohamad Padzli started his career in the banking industry managing customer relations to drive sales. He then moved on to manage sales and marketing for Premier Amalgamated Sdn Bhd, a company providing technology solutions and instrumentation supply to the water industry, with his final role there as Managing Director. In 2012, Ranhill Water Services Sdn Bhd and Premier Amalgamated Sdn Bhd formed a joint venture to establish Premier Water Services Sdn Bhd (PWS), which specialises in Advance Pressure Management and Control (APMC™), advanced technology used to enhance NRW reduction. Under Fahmi's leadership, PWS has expanded its sales and engineering division through an agreement with UK-based Technology Co. Ltd. to act as main distributor for all Technology products and technologies. As an APMC™ specialist, PWS has secured NRW projects in Perak, Melaka and Johor. Fahmi has over 12 years' experience in water technologies, specifically in equipment and instrumentation, business development and water management within the water supply network and distribution. He is the Chairman of Malaysia Young Water Professional, a Council Member of Malaysia Water Association and a Member of International Water Association.

Directorship in Public Companies

Nil

IR. DR. ZAHRUL FAIZI HUSSIEN

Chief Executive Officer, Ranhill Power Division

AGED 45, MALAYSIAN, MALE

Date of Appointment

1 November 2016

Qualification

Bachelor of Electrical Engineering (Hons) and Ph.D in Electrical Engineering, University of Southampton, United Kingdom.

Working Experience

Ir. Dr. Zahrul Faizi Hussien was previously Head of Reliability Performance and Utilities, Malakoff Power Bhd where he oversaw the technical performance of Malakoff's power plants. Prior to Malakoff, he was with Tenaga Nasional Berhad (TNB) for about 18 years, serving in various divisions as engineer and trainer. His last position in TNB was as the General Manager at TNB Research Sdn Bhd. He is a Professional Engineer of Board of Engineers Malaysia, Corporate Member of Institution of Engineers Malaysia (MIEM), Senior Member of Institution of Electrical & Electronics Engineers (SMIEEE) and Associate Asean Engineer (AAE) of Asean Federation of Engineering Organisations (AFEO). He has contributed to several national and international committees such as in Standards Development Working Group on "Connection of distributed generation to distribution network", Department of Standards Malaysia; Industry Advisory Panel member of Universiti Selangor (2013-2015), Universiti Teknologi MARA (2013-2015), Universiti Tenaga Nasional (2014-2016) and Chair, Power Engineering Society (PES), Institution of Electronics Engineers (IEEE), Malaysia Chapter. He has published more than 80 international conference and journals. In 2007, he was awarded Tokoh Pekerja Lelaki (Anugerah Harapan) by Ministry of Human Resource, Malaysia, conferred by the then Prime Minister Dato' Seri Abdullah Ahmad Badawi.

Directorship in Public Companies

Nil

None of the Management have:

- any directorship with any public or listed companies except for Tan Sri Hamdan Mohamad and Dato Sri Lim Haw Kuang, details of which have been disclosed in the Directors' profile on pages 24 and 29 of the Annual Report;
- any family relationships with any directors and/or major shareholders of the Company;
- any conflict of interest with the Company save for Tan Sri Hamdan Mohamad, which has been disclosed in the related party transactions of the Annual Report and the Circular to the Shareholders dated 25 April 2017; and
- been convicted of any offence within the past 5 years (other than traffic offences, if any) and have not been imposed any public sanctions and/or penalties by the relevant regulatory bodies during the financial year ended 31 December 2016.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE AT RANHILL

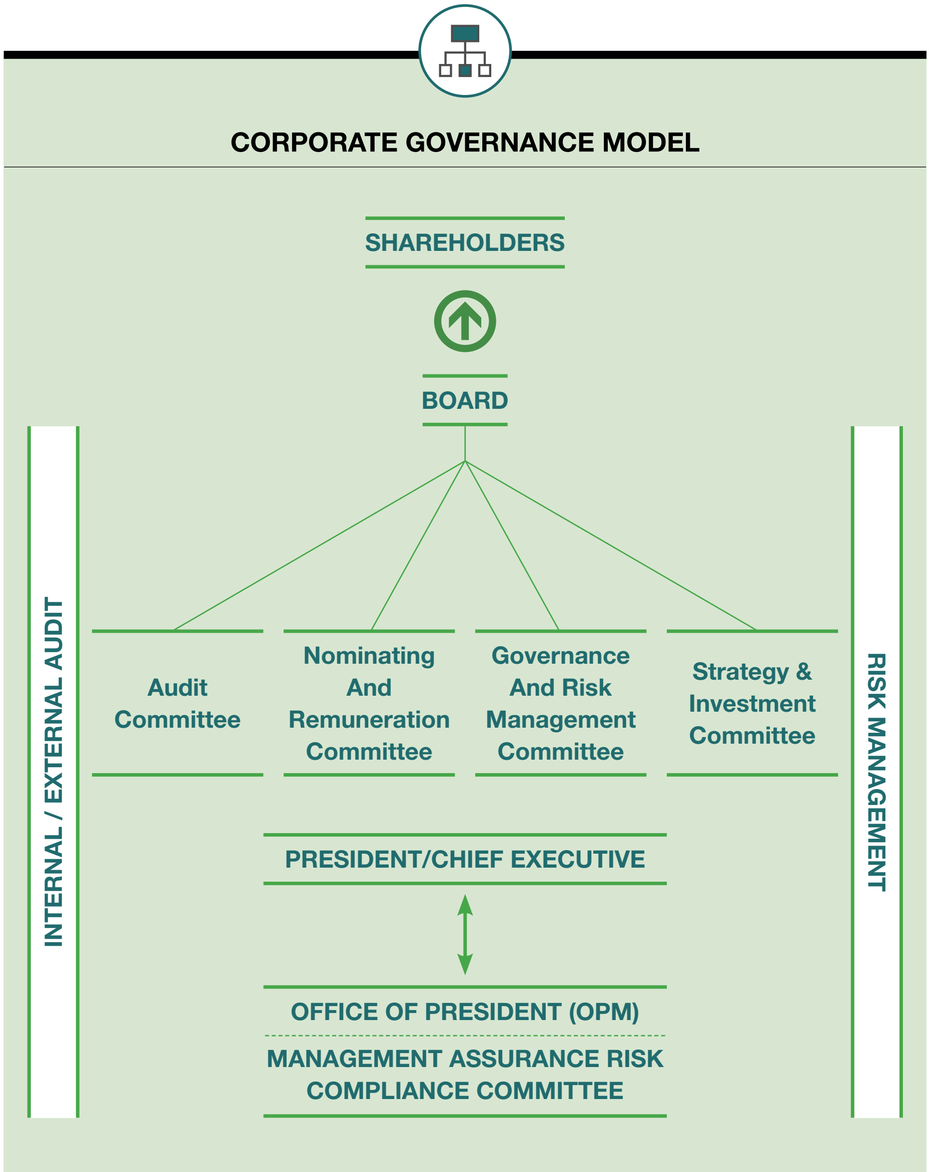
Ranhill is committed to a high level of corporate governance by fostering a culture that values ethical behaviour, integrity and respect. We believe that operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

This Statement reports on Ranhill's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in corporate governance practices.

Ranhill's resolve is core to our governance framework. It sets out our mission, vision and strategic direction and core values of respect, resourceful and results.

Ranhill's corporate governance model is as illustrated. It sets out how Ranhill is guided by its governance and assurance. It defines how Ranhill will deliver its business objectives and the boundaries within which Ranhill employees are expected to work. It establishes a common approach to how we operate, wherever the location.

The Company, as a listed entity, complies with the Malaysia Main Market Listing Requirements (MMLR), and the Malaysian Code on Corporate Governance 2012 (MCCG 2012).



BOARD CHARTER

Your Board has formally adopted a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities. The Board Charter outlines the roles and responsibilities of the Board, the balance and composition of the Board, the Board's authorities, schedule of matters reserved for the Board, the establishment of the Board Committees, processes and procedures for convening Board meetings, the Board's assessment and review of its performance, compliance with ethical standards, Board's access to information and advice and declarations of conflict of interest.

The Board Charter is made available on the Company's corporate website at www.ranhill.com.my.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD ROLES AND RESPONSIBILITIES AND FORMAL SCHEDULE OF MATTERS RESERVED FOR THE BOARD

The Constitution provides that the business and affairs of the company are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Ranhill's business activities is delegated to the President/Chief Executive (PCE) who is accountable to the Board. The Board Charter and the delegation of Board authority to the PCE are reviewed regularly.

The central role of the Board is to set the company's strategic direction, to select and appoint a PCE and to oversee the company's management and business activities.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- appointing and removing of the PCE, any other executive directors and the Company Secretary and determining of their remuneration and conditions of service;
- approving senior management succession plans and significant changes to organisational structure;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings, other than in the ordinary course of business, and the granting of security over the undertakings of the company or any of its assets;
- authorising expenditures which exceed the PCE's delegated authority levels;
- approving strategic plans, annual business plans and budgets; approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving dividends;
- appointing the Chairman of the Board;
- approving policies of company-wide or general application;
- approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the company;
- appointing directors who will come before shareholders for election at the next annual general meeting (AGM);
- establishing procedures which ensure that the Board is able to exercise its powers and to discharge its responsibilities as set out in the Board Charter;
- setting up of Subsidiary, Joint Venture, Strategic Alliance and Partnership; and
- Board Charter and Terms of Reference of Board Committees.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

WORK DONE BY BOARD

In 2016, the Board reviewed, deliberated and approved, where specifically required, the following:-

Financial & Operations

- Financial results including audit related matters
- Financial and operation performance, cash flow, proposed dividends
- Recurrent related party transactions as recommended by the Audit Committee

Strategic Plans and Investments

- Investment of acquisitions and divestments proposed by Management
- Annual budget and Business Plan

Corporate Governance

- The following Policies & Procedures (P&P) given that this is Ranhill's first year as a listed company:
  - Board Charter
  - Ranhill Authority Manual
  - Corporate Disclosure P&P
  - Related Party Transactions P&P
  - Related Party Receivables P&P
  - Financial Assistance P&P
  - Third Party Dealings P&P
  - Fraud & Whistleblowing P&P
  - Managing Corporate Performance P&P
  - Dealings in Listed Securities P&P
- Terms of reference of all Board Committees namely Audit Committee, Nominating & Remuneration Committee, Governance and Risk Management Committee and Strategy & Investment Committee
- Directors' Remuneration and Perks Framework for Non-Executive Directors
- The Executive Director (ED) and Senior Management Remuneration Package & Payment scheme for the Chief Executive/President and EDs
- Ranhill's Organisation Structure
- Matters relating to the AGM 2016 including the assessment of Directors retiring at the AGM, re-appointment of external auditors, Ernst & Young and recurrent related party transactions
- Risk Management and Internal Control as detailed on pages 54 to 56 of the Annual Report

CODE OF CONDUCT AND FRAUD WHISTLE BLOWING POLICY

The Board acknowledges its role in establishing an ethical corporate culture within Ranhill Group. The Board has adopted and is guided by the Ranhill Code of Conduct and Business Ethics (CCBE). The Company has also established a Fraud & Whistleblowing Policy in providing an avenue for employees and third parties to lodge reports in good faith on any unlawful, unethical or unacceptable behaviour or conduct. The channel for lodging such report is also available at the Company's official website at www.ranhill.com.my.

DIRECTORS' COMMITMENT

In compliance with Paragraph 15.06 of the MMLR, all the Directors do not hold more than five (5) directorships of any listed issuer at any one time. This is to ensure that the Directors can discharge his or her responsibilities.

During the year under review, the Board members were given notice for meetings. Moving forward, the Board will be given the annual meeting calendar one year in advance. In addition to the scheduled meetings, whenever any direction or decisions are required expeditiously or urgently from the Board, special meetings of the Board are convened by the Company Secretary, after consultation with the Chairman. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings. In 2016, fourteen (14) resolutions ranging from administrative to operational issues were approved by Directors via Circular Resolutions.

The Board has outlined the proper procedure which needs to be complied by the Directors before accepting any new external Board appointment. The Chairman and the PCE will decide on the acceptance of the request. If there is a potential conflict in the pending appointment, it will be tabled at the Nomination and Remuneration Committee. Such notification is expected to include an indication of time that will be spent on the new external appointment.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD COMPOSITION

The Board is comprised of nine (9) members with two (2) Executive Directors and seven (7) Non-Executive Directors, five (5) of which are independent. The Independent Directors make up more than half of the Board, as recommended by the MCCG 2012, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with their exercise of objective, unfettered or independent judgement. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out in Table 1. Detailed biographies are available in this Annual Report on pages 24 to 29.

The Board and its committees actively seek to ensure that the Board continues to have the right balance of skills, knowledge, experience and diversity necessary to direct the Company in accordance with high standards of corporate governance. In assessing the composition of the Board, the directors have regard to the following principles:

Table 1

- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the Company;
- the Chairman should be non-executive;
- the role of the Chairman and the PCE should not be filled by the same person;
- the majority of the Board should comprise directors who are both non-executive and independent;
- the PCE should be a full-time employee of the company;

The directors on the Board collectively have a combination of skills and experience in the competencies set out in Table 2. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each director and the combined capabilities of the Board.

The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the company. The non-executive directors contribute operational and international experience, an understanding of the industry in which Ranhill operates, knowledge of financial markets and an understanding of the health, safety, environmental and community matters that are important to the Company. The PCE brings an additional perspective to the Board through a thorough understanding of Ranhill's business.

Areas of competence and skills of the Board of Directors

Table 2

Leadership	Business leadership, public listed company experiences
Business & finance	Accounting, audit, business strategy, competitive business analysis, corporate financing, financial literacy, legal, mergers and acquisitions, risk management and tax
Sustainability & stakeholder management	Community relations, corporate governance, environmental issues, government affairs, health and safety, human resources, industrial relations, remuneration
Technical	Engineering
International	Oil and Gas

CORPORATE GOVERNANCE STATEMENT (CONT'D)

NOMINATION AND APPOINTMENT OF DIRECTORS

The Board manages its succession planning with the assistance of the Nominating and Remuneration Committee (NRC). NRC annually reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board. In conducting the review, the skills matrix referred to on page 36 of this Report is used to enable the committee to assess the skills and experience of each director and the combined capabilities of the Board. The results of this review are considered in the context of Ranhill's operations and strategy. Where the committee identifies existing or projected competency gaps, it recommends a succession plan to the Board that addresses those gaps. The Board does not currently consider that there are any existing or projected competency gaps.

NRC is responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The committee evaluates prospective candidates against a range of criteria including the skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent recruitment firm to undertake a search for suitable candidates.

In its evaluation of candidates for the Board, NRC will have regard to normally accepted nomination criteria, including:

01 **honesty and integrity;**

02 **the ability to exercise sound business judgement;**

03 **appropriate experience and professional qualifications;**

04 **absence of conflicts of interest or other legal impediments to serving on the Board;**

05 **willingness to devote the required time; and**

06 **availability to attend Board and committee meetings.**

In considering overall Board balance, NRC will give due consideration to the value of a diversity of backgrounds and experiences among the members.

Ranhill undertakes appropriate background and screening checks prior to nominating a director for election by shareholders, and provides to shareholders all material information in its possession concerning the director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

The Company's Constitution accords that all Directors who are appointed by the Board are subject to retirement at the first annual general meeting of the Company. At every subsequent year's annual general meeting of the Company, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office. A retiring Director shall be eligible for re-election. Every director shall be subject to retirement at least once in every three (3) years.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Directors due for re-election by rotation pursuant to Article 101 of the Company's Constitution at the forthcoming Third Annual General Meeting (3rd AGM) are Tan Sri Hamdan Mohamad, Tan Sri Saw Choo Boon and Dato' Sri Lim Haw Kuang.

The Company's Article 84 also states that any Directors appointed in the case of either to fill a casual vacancy or as an addition to the existing Directors since the last AGM shall be eligible for re-election at the forthcoming 3rd AGM. Therefore, Ms Loong Mei Yin, Datuk Abdullah Karim and Encik Izaddeen Daud shall retire accordingly, and being eligible, will offer themselves for re-election.

NRC will have reviewed the performance and contribution of the Directors seeking re-election. The Board will recommend to the shareholders for their re-election into office.

INDUCTION AND PROFESSIONAL DEVELOPMENT

New directors are briefed by the PCE and senior executives and visit to Ranhill's principal operations either upon appointment or with the Board during its next site tour. The induction materials and discussions include information on Ranhill's strategy, culture and values; key corporate and Board policies; the company's financial, operational and risk management position; the rights and responsibilities of directors; the role of the Board and its committees; and meeting arrangements.

All directors are expected to maintain the skills required to discharge their obligations to the company. Ranhill provides professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. Directors attend continuing professional education sessions including industry seminars and approved education courses which are paid for by the Company, where appropriate. In addition, the Company provides the Board with regular educational information papers and presentations on industry related matters and new developments which may potentially affect Ranhill.

During the year under review, the Directors' attended the following training programmes, to further enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

No.	Training/seminar/forum/conferences
1	7th SC-OCIS Roundtable - Influencing Change in Finance & Society: Public Policy & Legislative Priorities
2	8th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2016
3	Affin Hwang Capital Conference Series 2016 - Navigating Through Shifting Sands
4	Anti-Money Laundering/Counter Terrorism Training
5	Asian Institute of Finance's Distinguished Speaker Series 2016 - "Riding The Leadership Rollercoaster: An Observer's Guide"
6	Board Chairman Series - Leadership Excellence from The Chair
7	CEO Coffee Talk for Law Students - Career Opportunities for Law Graduates
8	CEO Forum - Executing Impactful Transformation
9	Cybersecurity Workshop
10	Director Training - New Company Act, Security & Terrorism in Malaysia, The Power of Social Media
11	Directors Risk Management Programme - I Am Ready to Manage Risks!
12	Directors' training: Companies Bill 2015
13	e-Vite/MFRS/FRS Update 2015/2016 Seminar (Run 2)
14	FIDE Forum: 1st Distinguished Board Leadership Series - Cyber-Risk Oversight
15	FIDE Forum: 2nd Distinguished Board Leadership Series - Avoiding Financial Myopia
16	FIDE Forum: Dialogue with Deputy Governor on the Corporate Governance Concept Paper
17	FIDE Forum: Industry Briefing on Directors Register Implementation
18	Fraud Risk Management
19	Half-Day Risk Management Workshop On Cyber - Security and Fraud
20	How Effective Boards Engage on Succession Planning for the CEO and Top Management

CORPORATE GOVERNANCE STATEMENT (CONT'D)

No.	Training/seminar/forum/conferences
21	Identify Right Board Talent
22	Integrated Strategic Risk Management Program - IERP
23	International Blue Ocean Conference
24	International Forum on the World's Economic Outlook: Challenges & Opportunities for Malaysian Companies
25	Introduction to MFRS9 - Ernst & Young
26	Investment Account Platform (IAP)
27	Khazanah Global Lectures by Dame Dr Jane Goodall
28	Khazanah Megatrends Forum 2016
29	Mandatory Accreditation Programme for Directors of Ranhill
30	SCxSC Digital Finance Conference 2016
31	Securities Commission - FIDE FORUM Dialogue: FinTech's Impact on Financial Institutions
32	SERC Global Economic Conference - The New Normal
33	Shariah Islamic Banking Awareness Program
34	Shell Scenarios
35	Special Commemorative Seminar on Tun Abdul Razak (PM of Malaysia 1970-1976)
36	Sustainability Engagement Series for Directors
37	Talk on Strata Management Act
38	The Development of Islamic Banking in Malaysia
39	The New Auditor's Report - Sharing the UK Experience
40	World Bank Malaysia Economic Monitor - Leveraging Trade Agreements
41	World Bank Malaysia Economic Monitor - Quest for Productivity Growth

DIVISION OF ROLES BETWEEN THE CHAIRMAN AND PCE

The Board appreciates the distinct roles and responsibilities of the Chairman of the Board and the PCE. This division ensures that there is a clear and proper balance of power and authority. As such, the role of the Chairman and the PCE is separate.

Role of the Chairman
Lead the Board in setting the values and ethical standards of Ranhill.
Chair the board meetings and stimulating debates on issues and encouraging positive contributions from each board member.
Consult with the Company Secretary in setting the agenda for board meetings and ensuring that all relevant issues are on the agenda.
Maintain a relationship of trust with and between the PCE and Non-Executive Directors.
Ensure the provision of accurate, timely and clear information to Directors.
Ensure effective communication with shareholders and relevant stakeholders.
Conduct performance assessment of board members, its Committees and individual Directors, including assessment of the independence of Independent Directors.
Facilitate effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings.
Ensure that all directors are properly briefed on issues arising at board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations.
Allow every board resolution to be voted on and ensuring the will of the majority prevails.
Cast his votes in accordance with the prescribed.
Ensure that all board members, upon taking up their office, are fully-briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of Ranhill.
Act as liaison between the Board and Management, and between the Board and the PCE.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Role of the PCE
Develop and recommend to the Board the long-term strategy and vision for the Group that leads to the creation of long-term prosperity and stakeholder value.
Develop and recommend to the Board the operational plan and budget that support the Group's long-term strategy.
Foster a corporate culture that promotes ethical practices, encourages individual integrity and the fulfilment of Ranhill's corporate social responsibilities.
Maintain a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse workforce at all levels.
Recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management.
Ensure an effective management team and to develop an appropriate succession plan.
Formulate and oversee implementation of major corporate policies.
Be accountable to the Board for the financial management and reporting, including forecasts and budgets of Ranhill.
Make reports to the Board periodically on its financial positions, key performance indicators, market conditions and business development.
Serve as spokesperson for Ranhill.
Refer to the Board Committees on matters as requested.

INDEPENDENCE

The independence of a director is assessed in accordance with Ranhill's Policy on Independence of Directors.

In accordance with the policy, the Board assesses independence regarding whether a director is non-executive, not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a material professional adviser to the company or another Group member;
- is, or has been within the last three years, in a material business relationship with the company or another Group member, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the company or another Group member other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the company for such a period that his or her independence may have been compromised.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of the company and its Group members, the persons or organisations with which the director has an affiliation and from the perspective of the director. To assist in assessing the materiality of a supplier or customer the Board has adopted the following materiality thresholds:

- a material customer is a customer of Ranhill which accounts for more than 2% of Ranhill's consolidated gross revenue; and
- a supplier is material if Ranhill accounts for more than 2% of the supplier's consolidated gross revenue.

The Board reviews the independence of directors before they are appointed, on an annual basis and at any other time where the circumstances of a director change such as to require reassessment.

The Board has reviewed the independence of each of the directors in office at the date of this Report and has determined that six (6) of the eleven (11) directors are independent.

Further, the MCCG 2012 recommended that the tenure of Independent Directors should be limited to a cumulative term of nine (9) years. After that tenure, the said Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to him/her being re-designated as a Non-Independent Director. Currently, none of the Independent Non-Executive Directors of Ranhill have served the Board for nine years.

SENIOR INDEPENDENT DIRECTOR

Tan Sri Saw Choo Boon is identified as the Senior Independent Non-Executive Director and is available as the designated contact to whom shareholders may convey any concerns or queries on the affairs of the Company, as an alternative to the formal channel of communication with shareholders. He also provides a sounding board for the Chairman and serves as an intermediary for the other Directors, if necessary.

Tan Sri Saw Choo Boon can be contacted as follows:
sawchooboon@gmail.com

BOARD PERFORMANCE EVALUATION

The NRC is responsible for determining the process for evaluating Board performance. Evaluations are conducted annually.

The Board performance evaluation process is conducted by way of questionnaires appropriate in scope and content to effectively review: the performance of the Board and each of its committees against the requirements of their respective charters; and the individual performance of the Chairman and each director.

The questionnaires are completed by each director and the responses compiled internally.

The reports on Board and committee performance are provided to all directors and discussed by the Board.

The report on each individual director is provided to the individual and copied to the Chairman and tabled at the NRC.

The performance of each director retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election of the director. The directors seeking re-election will be asked to reconfirm that they consent to stand in for re-election.

BOARD REMUNERATION

Ranhill's Remuneration Policy for NEDs aims to attract, retain, motivate and to remunerate fairly and responsibly having regard to:

- the level of fees paid to NEDs relative to other major Malaysian companies;
- the size and complexity of Ranhill's operations; and
- the responsibilities and work requirements of Board members.

The Directors' fees are only paid upon approval by the shareholders at the annual general meeting based on the recommendation by the Board. The remuneration package for Executive Directors are reviewed by the NRC and recommended to the Board for approval. It is then decided by the Board without the respective Executive Directors' participation in determining their remuneration. The details of the Directors' remuneration received during the financial year are summarised below:-

CORPORATE GOVERNANCE STATEMENT (CONT'D)

DIRECTORS REMUNERATION FRAMEWORK

	Executive Directors (RM'000)		Non-Executive Directors (RM'000)		Total (RM'000)	
	Group	Company	Group	Company	Group	Company
Salaries and bonuses	4,907	3,529	-	-	4,907	3,529
Defined contribution plan	437	286	-	-	437	286
Fees	96	-	1,013	1,013	1,109	1,013
Allowances	831	831	355	355	1,186	1,186
Estimated value of benefit-in-kind	174	174	-	-	174	174
Total	**6,445**	**4,820**	**1,368**	**1,368**	**7,813**	**6,188**

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-executive
50,000 & below	-	1[(1)]
100,001 - 150,000	-	1[(2)]
150,001 - 200,000	-	4
200,001 - 250,000	-	1
250,001 - 300,000	-	1
1,650,001 - 1,700,000	1	-
4,750,000 - 4,800,000	1	-

[(1)] one (1) Non-executive Director who was appointed on 16 November 2016
[(2)] one (1) Non-executive Director who had resigned on 16 November 2016

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD COMMITTEES

The Board has the ability under its governance structures to delegate its powers and responsibilities to committees of the Board. This allows the directors to spend additional and more focused time on specific issues.

The Board has four standing committees to assist in the discharge of its responsibilities. These are the:

- Audit Committee (AC);
- Nominating and Remuneration Committee (NRC);
- Governance and Risk Management Committee (GRMC); and
- Strategy and Investment Committee (SIC).

The committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a committee by the Board.

Each committee has a Terms of Reference (TOR), detailing its role, duties and membership requirements. The committee TORs are reviewed regularly and updated as required. Each of the committees Terms of Reference are available online at www.ranhill.com.my.

All Directors are entitled to attend meetings of the standing committees. Papers considered by the standing committees are also available to all Directors who are not on that committee. Minutes of the standing committee meetings are also available to all Directors and the proceedings of each meeting are reported by the chairman of the committee at the next Board meeting.

Each committee is entitled to seek information from any employee of the Company and to obtain any professional advice it requires in order to perform its duties.

Each standing committee participates in a regular review of its performance and effectiveness. As a result of the 2016 review, the Board is satisfied that the committees have performed effectively with reference to their TORs.

Ad hoc committees are convened to consider matters of special importance or to exercise the delegated authority of the Board.

BOARD AND COMMITTEE ATTENDANCE

The Board meets in person at least quarterly per annum and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the General Meetings, Board and Board Committee meetings held in 2016 are set out in the following table. The overall attendance rate of Directors at Board meetings was 96% (2015: 95%).

CORPORATE GOVERNANCE STATEMENT (CONT'D)

No.	Name/Designation	Appointment Date	Resignation Date	Total (%)
	NON-EXECUTIVE DIRECTORS			
1	Tan Sri Azman Yahya *(Chairman/Non-Independent Non-Executive Director)*	01-09-2014	-	10/11 (90.91%)
2	Tan Sri Saw Choo Boon *(Senior Independent Non-Executive Director)*	01-09-2014	-	11/11 (100%)
3	Datuk Seri Dr. Nik Norzrul Thani N. Hassan *(Independent/Non-Executive Director)*	01-12-2015	-	11/11 (100%)
4	Dato' Zulkifli Ibrahim *(Independent/Non-Executive Director)*	01-12-2015	-	9/11 (81.82%)
5	Mr. Lim Hun Soon @ David Lim *(Independent/Non-Executive Director)*	01-12-2015	-	11/11 (100%)
6	Encik Abu Talib Abdul Rahman *(Independent/Non-Executive Director)*	01-12-2015	-	11/11 (100%)
7	Encik Ritzlan Halim *(Non-Independent/Non-Executive Director)*	01-12-2015	16-11-2016	8/9 (88.89%)
8	Ms Loong Mei Yin *(Non-Independent/Non-Executive Director)*	16-11-2016	-	2/2 (100%)
	EXECUTIVE DIRECTORS			
1	Tan Sri Hamdan Mohamad *(Executive Director/President/Group Chief Executive)*	01-12-2015	-	10/11 (90.91%)
2	Dato' Sri Lim Haw Kuang *(Executive Director)*	01-09-2014	-	10/11 (90.91%)

Note: Datuk Abdullah Karim and En Izadden Daud were appointed to the board on 31 March 2017.

Audit Committee

The Audit Committee (AC) provides critical oversight of the Group on 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 financial year ended 31 December 2016 (FY2016) are set out below:

Membership Committee	Committee Attendance
Lim Hun Soon @ David Lim *(Chairman/Independent Non-Executive Director)*	5/5
Datuk Sri Dr. Nik Norzrul Thani Nik Hassan Thani *(Member/Independent Non-Executive Director)*	5/5
Abu Talib Abdul Rahman *(Member/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 Independent Non-Executive Directors;
- No alternate director is appointed as a member; and
- The Chairman is a member of Malaysian Institute of Accountant.

The meetings are normally attended by the President/Chief Executive (PCE), Chief Financial Officer (CFO), Chief Corporate Officer (CCO), Head of Group Corporate Assurance and upon invitation, the External Auditors.

The Company Secretary acts as secretary to the AC. Minutes of each meeting were recorded and tabled for confirmation in the following AC meeting and also tabled to the Board of Directors for notation.

The Terms of Reference of the AC are contained in the Board Charter which is included in the Company's website, www.ranhill.com.my.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Audit Committee (Cont'd)

SUMMARY OF WORK DONE BY AUDIT COMMITEE

The summaries of AC's activities during FY2016 are:

1. **Financial Reporting**
   Reviewed the quarterly and full year financial results including announcement to Bursa Malaysia. The matters reviewed and discussed were:
   - Financial and operational performance, and financial statements;
   - Budget achievement, reasons for the variances and efforts to meet targets; and
   - Internal and external matters impacting financial and operational performance, and the actions to be taken.

2. **External Audit (EA)**
   Reviewed year-end financial statement presented by EA. The reviews covering amongst others, the assessment on the following:
   - Changes in or implementation of major accounting policy changes;
   - Key Audit Matters;
   - Significant matters relating to provisions, legal and contracts, value of investments and tax matters; and
   - Compliance with accounting standards and legal requirements.

   Reviewed the Annual Audit Plan 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 time line as well as development in laws and regulations, and changes in regulatory requirements such as Main Market Listing Requirements (MMLR) and Malaysian Financial Reporting Standards (MFRS).

   Requested management to negotiate audit fees to be and reviewed by AC.

   Held one discussion with the EA without the presence of management to ensure an adequate level of cooperation between the EA and management.

3. **Internal Audit**
   Reviewed and approved the internal audit plan, key performance indicators stipulated in the Balanced Scorecard (BSC), budget and staffing requirements of the Group Corporate Assurance Division (GCAD) to effectively discharge its auditing function on the Group.

   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, status of corrective actions on whether appropriate actions are taken on the recommendations made by GCAD.

4. **Others**
   Reviewed and deliberated the quarterly related party transactions/recurrent related party transactions entered into by the Company and its subsidiaries and reviewed the disclosure requirements of such transactions for the Board's approval.

   Reviewed and recommended to the Board for approval, the Annual Report for FY2016 which include the Management Discussion and Analysis, Statement on Risk Management and Internal Control, and Audit Committee Report.

Audit Committee (Cont'd)

SUMMARY OF WORK DONE BY GROUP CORPORATE ASSURANCE DIVISION (GCAD)

GCAD provides independent, regular and systematic reviews of the internal control, risk management and governance processes within the Group so as to provide reasonable assurance that such processes continue to operate satisfactorily and effectively. To preserve its independence, Head of GCAD functionally reports to AC Chairman and administratively to PCE.

GCAD is also responsible for the administration of the Ranhill's Whistleblower Policy which provides an avenue for employees and third parties dealing with Ranhill to disclose cases of improper conduct such as misconduct, criminal offences or malpractices.

During the FY2016, the GCAD has conducted 30 audit assignments and 4 follow-up audits. The audit assignments were carried on all major subsidiaries covering SAJ Ranhill Sdn Bhd (formerly known as SAJ Holdings Sdn Bhd), Powertron Group, Ranhill Water Services Sdn Bhd and Premier Water Services Sdn Bhd.

Observations on key control issues arising from the aforesaid audit activities were reported and presented to the AC together with the agreed upon Management action plans. GCAD also monitors and provides quarterly updates to the AC on the status and progress of the action plans undertaken by Management based on the audit recommendations from the audits performed.

The total costs incurred for the internal audit function for FY2016 was RM1.9 million (FY2015: RM1.1 million).

This statement is made in accordance with the resolution of the Board dated 25 April 2017.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Nominating and Remuneration Committee

MAIN ROLES

To assist Board in:

- Identifying and nominating new Directors and assessing the performance of the Board and its members.
- Enabling the Group to attract, retain and motivate Senior Management and Directors (executive and non-executive) who will create sustainable value for shareholders and other stakeholders.
- Rewarding Senior Management and Directors fairly and responsibly based on the performance of the Group, the performance of the individual and the external compensation environment.
- Achieving its objective of ensuring the Company has a Board with effective composition, size and commitment to adequately discharge its responsibilities and duties.
- Establishing a clear succession plan to ensure continuity in the strategic and tactical functioning of the Group.
- Ensuring an effective Director Induction and Training Programme is implemented and monitor compliance with established Policies and Procedures.

WORK DONE IN 2016

Reviewed and recommended the following for approval of the Board:

- Terms of Reference of the NRC
- Directors' Remuneration and Perks Framework for Non-Executive Directors
- Ranhill's Organisation Structure
- Directors retiring at the AGM
- Assess suitability of candidates proposed for appointment on the Board of Ranhill
- Human Capital Strategies of Ranhill Group of Companies, based on strategic plan and roadmap planned and explored for the year 2017-2018 encompassing the following areas:
  - Compensation and benefits review
  - Human Capital Management Solutions
  - Senior Management compensation structure (includes the Executive Director (ED) and Senior Management Remuneration Package and Payment Scheme for the President/Chief Executive and EDs)
  - Ranhill Culture Internalisation
  - Leadership Development Programs

Terms of Reference

Terms of reference for the nominating and remuneration committee can be found online at www.ranhill.com.my.

Membership Committee	Committee Attendance
Tan Sri Saw Choo Boon *(Chairman/Senior Independent Non-Executive Director)*	3/3
Tan Sri Azman Yahya *(Member/Non-Independent Non-Executive Director)*	3/3
Abu Talib Abdul Rahman *(Member/Independent Non-Executive Director)*	3/3

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Governance and Risk Management Committee

MAIN ROLES

To assist Board in:

- Applying the principles and good practices of corporate governance, sustainability and corporate responsibility towards the stakeholders and to ensure compliance with applicable regulatory and legal requirements.
- Providing in-depth governance of risk for the Group.
- Fulfiling its corporate governance, risk management and statutory responsibilities in order to effectively manage the overall risk exposure of the Group.
- Ensuring an effective Fraud & Whistleblowing Policy and Procedures and Fraud Risk Management Programme are implemented and monitors its compliance.

WORK DONE IN 2016

a) Governance Oversight

- Reviewed the Corporate Governance Statement with reference to the MCCG or such other applicable best practices in the annual report for Board's approval.
- Reviewed reports on violations of the CCBE and fraud and whistleblowing.

b) Risk Organisation

- Oversee the overall management of significant risks covering the businesses, markets, reputation and operations.
- Ensure that there clear and independent organisational reporting lines and responsibilities for the management risk.

c) Risk Management

- Reviewed Group risk profile and monitor management action plan to manage critical and significant risks.

Terms of Reference

Terms of reference for the governance and risk management committee can be found online at www.ranhill.com.my.

Membership Committee	Committee Attendance
Tan Sri Saw Choo Boon *(Chairman/Senior Independent Non-Executive Director)*	2/2
Dato' Sri Lim Haw Kuang *(Member/Executive Director)*	2/2
Datuk Sri Dr. Nik Norzrul Thani Nik Hassan Thani *(Member/Independent Non-Executive Director)*	2/2
Abu Talib Abdul Rahman *(Member/Independent Non-Executive Director)*	2/2

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Strategy and Investment Committee

MAIN ROLES

To assist Board in:

- Formulating strategies for achieving the corporate objectives set by the Board.
- Making the right investment decision, including major projects. Acquisition, divestments, mergers and funding in line with the strategy set by the Board.
- Reviewing and monitoring of the strategies.

WORK DONE IN 2016

a) In 2016, the SIC reviewed and deliberated on the following:
- Terms of reference of the SIC.

b) Investments
- Assessed the viability of the investment of several Build, Operate and Transfer projects in China.

c) Divestment
- Evaluated the terms of the agreement for the divestment of two companies in the China group.

d) Budget & Business Plan
- Reviewed and compared the actual performance of the operating subsidiaries against the budget for 2016.
- Conducted review of the 2017 Annual Business Plan & Budget including the assumptions and strategies to achieve the targets.

Terms of Reference

Terms of reference for the strategy and investment committee can be found online at www.ranhill.com.my.

Membership Committee	Committee Attendance
Tan Sri Azman Yahya *(Chairman/Non-Independent Non-Executive Director)*	3/3
Tan Sri Hamdan Mohamad *(Member/Executive Director/President and Chief Executive)*	3/3
Dato' Sri Lim Haw Kuang *(Member/Executive Director)*	3/3
Dato' Zulkifli Ibrahim *(Member/Independent Non-Executive Director)*	3/3
Miss Loong Mei Yin *(Member/Non-Independent Non-Executive Director)*	0/1

CORPORATE GOVERNANCE STATEMENT (CONT'D)

ENSURING QUALITY IN FINANCIAL REPORTING

The Board is committed to provide a fair and objective assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, Annual Reports and all other reports or statements to shareholders, investors and relevant regulatory authorities.

The Statement of Responsibility by Directors in respect of preparation of the annual audited financial statements is set out on page 63 of this Annual Report.

ACCESS TO INFORMATION AND ADVICE

The Board and the Board Committees receive timely and up-to-date information. The Company Secretary, under the direction of the Chairman, ensures a balanced flow of information is disseminated for decisions to be made on an informed basis for the effective discharge of the Board's responsibilities.

Prior to the Board and Board Committee meetings, a formal and structured agenda, as approved by the respective Chairman of the Board and the Committees, together with a set of Board and Board Committee papers, are forwarded to all Directors at least five (5) days prior to the Board and Board Committee meetings, for the Directors to be prepared to deal with matters arising from such meetings and to enable the Board and Board Committees to make decisions.

Presentations to the Board and the Board Committees are prepared and delivered in a manner that ensures a clear and adequate understanding of the subject matter. In addition to that, reading materials on the subject matter, if any, are also prepared and circulated at least five (5) days prior to each meeting to assist Directors in having an understanding of the subject matter.

The Board firmly believes that effective deliberation and its decision making process is highly dependent on the quality of information furnished by the Management Team.

From time to time, whenever the Board requires relevant information updates from any members of the Management Team, the relevant member of the Management Team is invited to attend meetings of the Board or its Committees to provide the Board with any such relevant information or updates. External advisers may also be invited to attend Board and Board Committee meetings, as the case may be, to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.

All Directors have unrestricted access to information within the Group. There is also a formal procedure approved by the Board for all Directors, whether acting as a full Board or Board Committee, or in their individual capacity, to obtain independent professional advice, when necessary, at the Company's expense.

Prior to engaging an independent adviser, approval must be obtained from the Chairman and, where applicable, the Chairman may bring up the request for the Board's evaluation on the need for external advice.

SHAREHOLDER COMMUNICATION

Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares. Ranhill has an investor relations program to facilitate effective two-way communication with investors.

Ranhill's Corporate Disclosure Policy encourages effective communication with the Company's shareholders by requiring:

- the disclosure of full and timely information about Ranhill's activities in accordance with the disclosure requirements contained in the MMLR and the Companies Act 2016;
- all information released to the market to be placed on Ranhill's website promptly following the release;
- the Company's market announcements to be maintained on Ranhill's website for at least three years; and that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Briefings on the financial results, and other briefings with institutional investors and analysts relating to new material information that is released to the market prior to the briefing, are made available on Ranhill's website. The Annual Report is available on the Company's website, or shareholders can elect to receive hard copies.

Ranhill encourages direct electronic contact from shareholders - Ranhill's website has a "Contact Us" section which allows shareholders to submit an electronic form with questions or comments directly, as well as a "Shareholder Services" section which, among other things, clearly sets out the email address for Ranhill's share registry.

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The company has poll voting arrangements in place. Shareholders are also able to register their voting instructions electronically.

Copies of the addresses by the Chairman and the PCE are disclosed to the market and posted to the Company's website immediately prior to the AGM. The outcome of voting on the items of business are disclosed to the market and posted to the company's website after the AGM.

All of Ranhill's directors attended the Company's 2016 AGM and are expected to attend the 2017 AGM.

The Company's external auditor attends the Company's AGM to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit. The AGM is also overseen by an Independent Scrutineer.

INSTILLING SUSTAINABILITY

The Board is committed to promoting sustainability practices in the Group and maintaining a good balance in relation to the environmental, social and governance aspects of the Group's businesses. The Company's sustainability efforts are set out in the Corporate Sustainability Statement in pages 16 to 21 of this Annual Report.

The Company will take steps to report the current economic, environmental and social (EES) practices and will systematically plan its EES efforts.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance. Ranhill's Risk Management Policy describes the manner in which Ranhill:

- provides a consistent process for the recognition and management of risks across Ranhill's business; and
- confers responsibility on Ranhill staff at all levels to proactively identify, manage, review and report on risks relating to the objectives those staff are accountable for delivering.

Ranhill recognises that risk is inherent to its business and that effective management of risk is vital to delivering on its objectives, success and continued growth. Ranhill is committed to managing all risk in a proactive and effective manner. Ranhill's approach to risk enhances opportunities, reduces threats and sustains Ranhill's competitive advantage. More information on Ranhill's risks are set out in this Report on pages 54 to 56.

Internal Audit provides assurance that the design and operation of the Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that higher risk activities are prioritised in the audit program. Audits are conducted in a manner that conforms to international auditing standards. Internal Audit is independent of both business management and of the activities it reviews and has all necessary access to management and information to fulfil its role. Internal Audit is staffed by industry professionals including qualified accountants and engineers.

The Audit Committee oversees Internal Audit's activities and reviews Internal Audit's performance. It approves the annual audit plan and receives reports from Internal Audit concerning the effectiveness of internal control and risk management. The AC approves the appointment of the head of Internal Audit. The committee members have access to Internal Audit without the presence of other management. Internal Audit has unfettered access to the AC and its Chairman.

Internal Audit and external audit are separate and independent of each other.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

RELATED PARTY TRANSACTIONS

An internal compliance framework exists to ensure the Company meets its obligations under the Listing Requirements of Bursa, including obligations relating to related party transactions and recurrent related party transactions. The Board, through its Audit Committee, reviews and monitors all related party transactions and conflicts of interest situations, if any, on a quarterly basis. A Director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolution, in respect of such a transaction at the meeting of the Board, the Annual General Meeting or Extraordinary General Meeting.

The Company has established procedures regarding its related party transactions which are summarised as follows:

- all related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public and other suppliers, and are not detrimental to the minority shareholders;
- all related party transactions are reported to the Audit Committee. Any member of the Audit Committee, where deemed fit, may request for additional information pertaining to the transactions, including advice from independent sources or advisers; and
- all recurrent related party transactions which are entered into pursuant to the shareholders' mandate for recurrent related party transactions are recorded by the Company.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Company's transparent and professional relationship with the external auditors is primarily maintained through the Audit Committee. The key features underlying the Audit Committee's relationship with the external auditors are detailed in this Report on pages 45 to 47. The terms of engagement of the Company's external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

The Audit Committee works closely with the Company's Management in assessing the suitability and independence of the external auditors and has obtained confirmation from the external auditors that they are and have been, independent throughout the conduct of the audit engagement.

The fees paid/payable to the external auditor, Messrs. Ernst & Young, in financial year 2016 were as follows:

Fees Paid/Payable to Messrs Ernst & Young	Group RM'000	Company RM'000
Audit fees	880	88
Non-Audit Fees	49.6	-
Total	929.6	88

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Companies Act, 1965 requires the Directors to prepare financial statements for each financial year in accordance with the Financial Reporting Standards and places responsibility on the Directors to ensure that the financial statements provide a true and fair view of the financial position of the Company and its financial performance and cash flows for the financial year ended. The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position in the Directors' Report on pages 58 to 63 and the Financial Statements set out on pages 71 to 177 of this Report.

STATEMENT BY THE BOARD

This Statement is made in accordance with a resolution of the Board of Directors and approved at the Board meeting dated 25 April 2017.

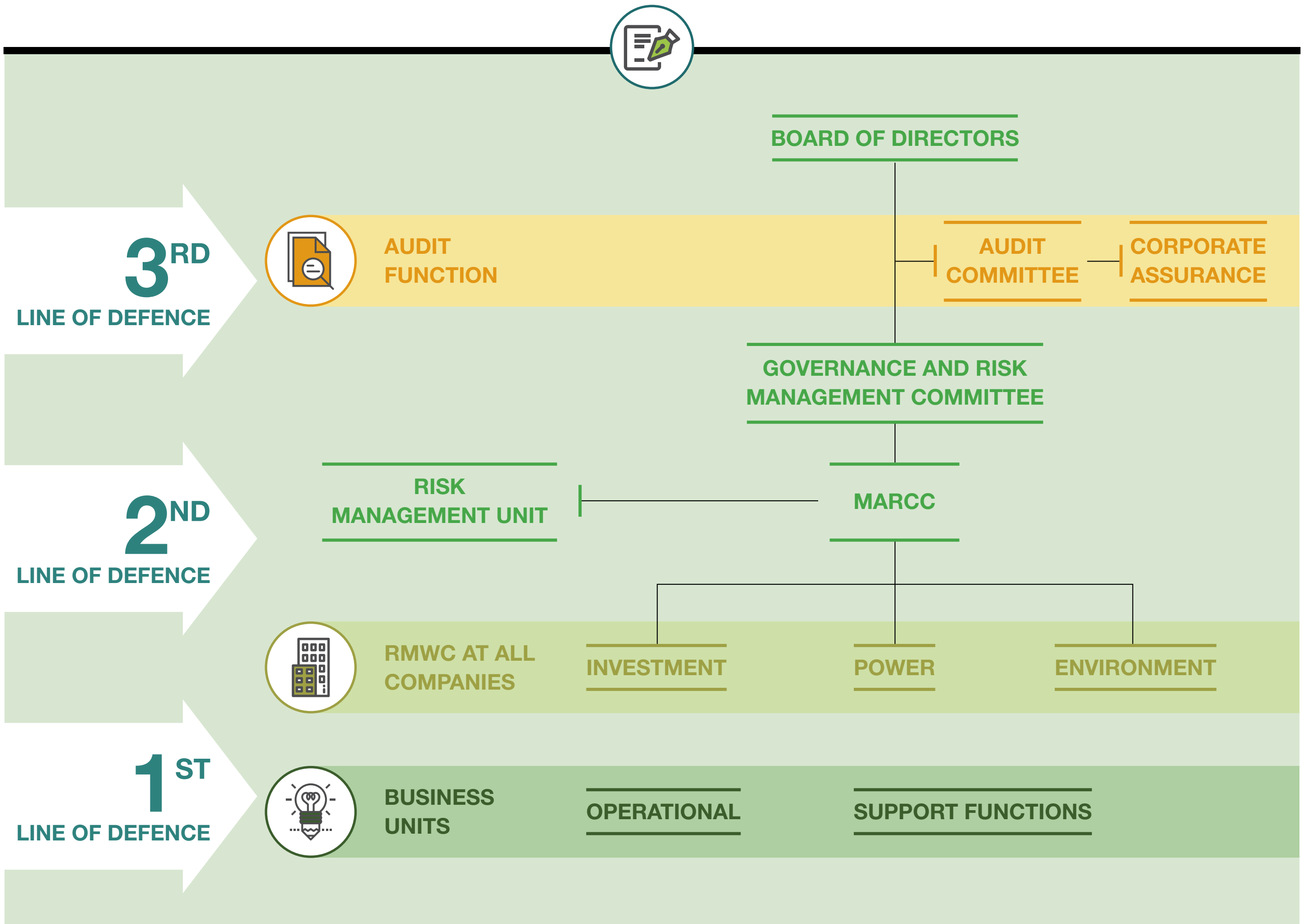
On behalf of the Board

Tan Sri Azman Yahya
Chairman/Non-Independent Non-Executive Director

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risks are inherent in every business and the challenge is in identifying and managing them so that they are reduced, transferred, avoided or accepted. Effective risk management is and has been an integral part of the overall achievement of the Group's strategic objectives. The Board acknowledges that it is ultimately responsible for establishing and maintaining appropriate risk management and internal control systems for the business of the Group and to assess their effectiveness regularly. To achieve this, the Board ensures that there is a robust framework of ongoing risk management process in identifying, evaluating and managing significant risks faced by the Group. The Board has delegated the responsibility for overseeing the adequacy and effectiveness of risk management and internal control systems to two Board Committees, namely the Audit Committee (AC) and the Governance and Risk Management Committee (GRMC).

Our risk management framework is guided by the model of "Three Lines of Defence" as shown below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THREE LINES OF DEFENCE

Our risk management framework and its processes are regularly reviewed. The systems and processes that have been put in place are designed to manage our risks and not eliminate all risks. As with all systems, it does not provide an absolute shield against factors such as unpredictable risks, uncontrollable events such as natural catastrophes, fraud, and errors of judgement.

Management Assurance Risk Compliance Committee (MARCC) established in February 2017 is a management committee at the holding company level to monitor the risks faced by every Ranhill Group Company. The submission of the semi-annual Group Risk Management Report detailing the principal risks and management measures is now reviewed by MARCC prior to presentation to GRMC. In addition, we have established a Compliance Department to enhance further the system of internal controls. During the current financial year, prior to the formation of this committee, the Chairman of Risk Management Working Committee (RMWC) at every Ranhill Group Company reports directly to the GRMC semi-annually.

FIRST LINE OF DEFENCE: OPERATIONAL MANAGEMENT AND INTERNAL CONTROLS

The first line of defence consists of our Group's internal control system which includes: (i) Group policies which are shared with our employees through the intranet, (ii) operational policies, procedures and practices covering a range of areas including the authorisation and approval of transactions, (iii) the application of financial reporting standards, and (iv) the review of financial performance and significant judgements.

The following policies and procedures form the backbone of our internal control processes which apply to all levels of staff:

Key Group Policies

Ranhill Authority Manual (RAM) covers all Group operations and forms the backbone of all authority limits set by the Board for the Board Committees, management and operations. The RAM creates clear stewardship responsibilities, delegation of authority and accountability.

The Fraud & Whistleblowing policy addresses the commitment of Ranhill to integrity and ethical behaviour and provides an avenue for employees and the general public to disclose any improper conduct within the Group without fear and favour.

The Code of Conduct & Business Ethics (CCBE) sets out the standards of conduct and behaviour expected from all Ranhill's directors and employees in its business dealings within and with external parties.

The **Strategic Planning policy** and procedures was established to ensure that the process of strategic planning within the Group is conducted in a robust and proper manner.

The **3rd Party Dealing policy** was issued to ensure that all transactions entered by each Group Company with 3rd parties are guided by principles of integrity, honesty and ethics. A risk assessment is conducted for any business proposal entered into by Ranhill Group.

The **Escalation of Risk and Incident policy and procedures** covers the process of escalation of significant risks and incidence of disaster to Senior Management and Board members of Ranhill in a timely manner.

Business Continuity Management (BCM) is established to provide guidelines in managing and minimising business interruption due to any disaster. For major disasters, each operating unit has its own Emergency Response Plan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

SECOND LINE OF DEFENCE: RISK MANAGEMENT FUNCTIONS

The second line of defence comprises of Risk Management Working Committee (RMWC) at the respective Group Company which submit the risk profile and substantial risk of the Company to the Risk Management Unit (RMU) for presentation to GRMC semi-annually. The GRMC has an oversight function to ensure that the risk management framework is managed effectively and efficiently. During the GRMC meeting, the Chief Corporate Officer (CCO) of Ranhill Holdings Berhad and Chief Executive Officer (CEO) of each Group Company are required to report on the significant risks that impacting the Company and the Group respectively. GRMC reviews and assess the management action plans in mitigating the significant risks.

Subsequent to the financial year ended 2016, MARCC is responsible to oversee and perform regular reviews on the Group's risk management processes including reviews and assess the significant risks and deliberating the mitigation action taken. MARCC is chaired by the CCO and includes Head of Divisions, and the CEO of every Group Company is invited to attend the periodic meeting. MARCC reports to GRMC on quarterly basis.

THIRD LINE OF DEFENCE: INTERNAL AUDIT ASSURANCE

The Group's internal audit function is performed by the Group Corporate Assurance Division (GCAD), which plays an important part in the assessment of the effectiveness and efficiency of the risk management and internal control systems of the Group and reports to the AC on a regular basis. The GCAD has a functional reporting line to the AC and administratively report to President/Chief Executive (PCE). Internal audit reports on control effectiveness and efficiency are submitted to the AC in line with the agreed audit plan. The AC approves the annual audit plan and receives reports produced by GCAD throughout the year.

GCAD conducts risk based internal audit reviews at both operational and corporate levels. Plans and tools for corrective action and improvements are identified with operations management to address any issues, or deficiencies identified. GCAD follows up on the implementation of its recommendations and reports the outcome to the AC.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the PCE and the Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively during the financial year under review.

Together with additional input from the Management Team, internal and external auditors, the Board is of the view and to the best of its knowledge that the system of risk management and internal control is satisfactory and adequate to safeguard the Group's and Stakeholders' interests, and Group's assets.

The Group will continue to take measures to improve and strengthen the risk management and internal control environment.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised), Guide for Auditors on Engagements to Report on the Statements on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the External Auditors was made solely for and directed solely to the Board of Directors in connection with their compliance with the listing requirement of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this Report.

This Statement is made in accordance with the resolution given by the Board of Director on 25 April 2017.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The principal activities and other information of the subsidiaries, joint venture and associate are set out in Note 18, Note 19 and Note 20 to the financial statements.

There have been no significant changes in the nature of these principal activites of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	**113,963**	**100,479**
Profit attributable to:		
Owners of the parent	**72,120**	**100,479**
Non-controlling interests	**41,843**	**-**
	113,963	**100,479**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

(i) the impact arising from the acquisition of the remaining equity interest of Ranhill Water Technologies (Cayman) Ltd. ("RWTC") and disposal of 60% equity interest in Ranhill Water (Hong Kong) Limited as disclosed in Note 18(a) and (b) to the financial statements; and

(ii) the early redemption premium amounting to RM17,890,000 arising from the full redemption of Islamic Medium Term Notes and partial redemption of Sukuk Musharakah as disclosed in Note 8 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIVIDEND

The amounts of dividends paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
First interim single-tier dividend of 1.8 sen per share on 888,315,767 ordinary shares, declared on 26 August 2016 and paid on 28 September 2016	**15,990**
Second interim single-tier dividend of 2.0 sen per share on 888,315,767 ordinary shares, declared on 19 December 2016 and paid on 19 January 2017	**17,766**
	33,756

The Board of Directors had on 28 February 2017, declared a third interim tax exempt (single-tier) dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM17,766,315. The financial statements for the current financial year do not reflect this third interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2016, of 2.0 sen per share on 888,315,767 ordinary shares, amouting to a dividend payable of RM17,766,315 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Mohamed Azman Yahya	
Tan Sri Hamdan Mohamad	
Tan Sri Saw Choo Boon	
Dato Sri Lim Haw Kuang	
Lim Hun Soon @ David Lim	
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani	
Dato' Zulkifli Ibrahim	
Abu Talib Abdul Rahman	
Loong Mei Yin	(Appointed on 16 November 2016)
Datuk Abdullah Karim	(Appointed on 31 March 2017)
Izaddeen Daud	(Appointed on 31 March 2017)
Ritzlan Halim	(Resigned on 16 November 2016)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company was a party, whereby the directors might 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 has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or its related corporations as shown in Note 11 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

DIRECTORS' INTEREST

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares RM1 each			
	At 1.1.2016	**Acquired**	**Sold**	**At 31.12.2016**
The Company				
Direct interest:				
Tan Sri Mohamed Azman Yahya	**1,100,000**	**400,000**	**-**	**1,500,000**
Tan Sri Hamdan Mohamad	**-**	**20,550,000**	**-**	**20,550,000**
Deemed interest:				
Tan Sri Mohamed Azman Yahya	**23,455,381**(1)	**704,020**	**-**	**24,159,401**(1)
Tan Sri Hamdan Mohamad	**297,610,098**(2)	**-**	**20,550,000**	**277,060,098**(2)

(1) Deemed interested by virtue of his interest in Symphony Life Berhad, Virtuoso Capital Sdn. Bhd. and Azman & Sons Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested by virtue of (i) his interest in Hamdan Inc. (Labuan) Pte. Ltd. ("Hamdan Inc."), Lambang Optima Sdn. Bhd. and Ranhill Corporation Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and (ii) him being the sole beneficiary of the Hamdan (L) Foundation which owns the entire equity stake in Hamdan Inc..

By virtue of Tan Sri Hamdan Mohamad's direct and deemed interest in the Company, he is also deemed interested in shares in all of the subsidiaries and related corporations of the Company, to the extent Company has an interest pursuant to Section 6A of the Companies Act, 1965.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM565,994,967 to RM888,315,767 by way of issuance of 322,320,800 ordinary shares of RM1.00 each at an issue price of RM1.20 per share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

    (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

    (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

(i) no contingent liability 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 will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2017.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

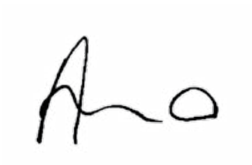
STATEMENT BY DIRECTORS

Pursuant to Section 169(5) of the Companies Act, 1965

We, Tan Sri Mohamed Azman Bin Yahya and Tan Sri Hamdan Mohamad, being two of the directors of Ranhill Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 71 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 49 to the financial statements on page 177 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2017.



Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Choo Chee Keen, being the officer primarily responsible for the financial management of Ranhill Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements and supplementary information set out on pages 71 to 177 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.

Subscribed and solemnly declared by the
abovenamed Choo Chee Keen at
Kuala Lumpur in the Federal Territory
on 25 April 2017

Choo Chee Keen

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ranhill Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Impairment of intangible asset – service license

Key risk	Our audit response
(Refer Note 15 – Intangibles, Note 2.10 (b) – Summary of significant accounting policies: Intangible assets – Service license) The Group is required to perform annual impairment assessment on its service license which involves comparing the recoverable amounts of the related cash generating units ("CGUs") to the carrying amounts of the service license. The Group estimated the recoverable amounts of the CGUs using value-in-use (VIU) method. Estimating the VIU involves discounting to its present value the estimated future cash inflows and outflows that will be derived from the CGUs using an appropriate discount rate. This was our area of focus as the impairment assessment was complex and judgmental, which involved assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future water consumption and its tariff. Judgement was also applied in determining the appropriate discount rate. The impairment assessment by management did not give rise to any impairment.	In addressing this area of audit focus, we involved our internal valuation experts where, amongst others, we evaluated and assessed: (a) the methodology and approach used, considering whether they are consistent with generally accepted models; (b) the key assumptions used, particularly the forecasted revenue growth, cost escalations, profit margin and long term growth rate, by comparing against historical trends and taking into consideration the current and expected water consumption including water tariff approved by the relevant authority; and (c) the discount rate used, considering whether the rate reflects the current market assessments of the time value of money and the risks specific to the asset. In addition, we also evaluated the adequacy of disclosures of key assumptions to which the outcome of the impairment test is most sensitive.

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Revenue recognition on sale of treated water ("water revenue")

Key risk	Our audit response
(Refer Note 4 - Revenue, Note 2.29 - Revenue Recognition) The Group recognised water revenue of RM1,036 million, representing 71% of the total revenue of the Group. The Group relies on complex information technology systems in accounting for its water revenue, which included the water billing information system. Such information systems process large volumes of data which consist of individually low value transactions. In addition, significant estimates are involved in accounting for unbilled revenue at the reporting date. The above factors gave rise to higher risk of material misstatement in the timing and amount of water revenue recognised. Accordingly, we identified revenue recognition to be an area of focus.	Our audit sought to place a high level of reliance on the Group's information technology systems and key controls which the management rely in recording its water revenue, where we: (a) involved our information technology specialists to test the operating effectiveness of automated controls over the water billing information system, including change management and logical access. We also tested the accuracy of the data interface between the water billing information system and the general ledger; and (b) tested the non-automated controls in place to ensure accuracy of water revenue recognised, including agreeing the tariff in the water billing information system to the approved rate by the relevant authority. **We also performed the following:** (a) tested the reconciliation between water billing information system and general ledger; (b) evaluated management's estimation of unbilled revenue by comparing such amount to the billings raised subsequent to the reporting period; and (c) performed analytical review on the movement of water revenue year on year and throughout the year under review against our understanding of the business.

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Divestment of 60% equity interest in Ranhill Water (Hong Kong) Ltd. ("RWHK") group

Key risk	Our audit response
(Refer to Note 18 – Investment in subsidiaries and Note 2.4 – Summary of significant accounting policies: Basis of consolidation) On 12 December 2016, the Group, through its wholly owned subsidiary, RWTC, completed the divestment of its 60% equity interest in a wholly owned subsidiary, RWHK, for an aggregate divestment considerations of RMB273.9 million (equivalent to RM175.6 million). Included in this amount is RMB50 million (equivalent to RM32.2 million) referred to as "Second Instalment" payment which is contingent on meeting certain conditions as stated in the Sales and Purchase Agreement. The divestment resulted in the Group losing control over RWHK group and a loss on divestment of RM1,828,000 was recognised in the Group's income statement. In computing the loss, the Group included a portion of the Second Instalment payment as part of the fair value of the divestment considerations on the assumptions that the conditions attached to the Second Instalment payment will be met. Judgements were applied in assessing the probability of the Group meeting the said conditions in order to be entitled for the Second Instalment payment. In addition, in accordance with MFRS 10: Consolidated Financial Statements, the Group recognised the remaining 40% of its equity interest in RWHK as investment in an associate at fair value at the date when control is lost. Significant estimates were applied in determining the fair value of the remaining interest retained in RWHK, which management had relied amongst others, on valuation performed by an external expertise.	We reviewed management's computation of the loss arising from the divestment, particularly the assessment of fair value of the Second Instalment payment that is contingent upon meeting certain conditions. We obtained an understanding of the conditions attached to the Second Instalment payment and considered the basis used by management in assessing the probability of meeting each of the conditions attached by evaluating its current status and progress vis-à-vis the completion milestones of each condition, taking into consideration the remaining effort and timing expected to meet the conditions. In respect of the fair value of the remaining interest retained, we involved our internal valuation experts and performed, amongst others, we evaluated and assessed: (a) the objectivity, independence and competency of the external expertise that management relied upon; (b) the methodology and approach used for the valuation whether they are based on generally accepted valuation model; (c) the key basis and assumptions used, particularly the forecasted revenue growth and profit margin by comparing against historical trends and taking into consideration the minimum and expected water volume and tariff; and (d) the discount rate used, considering whether the rate reflects the current market assessments of the time value of money and the risks specific to the asset. In addition, we also assessed the reasonableness of the estimated fair value of the remaining investment retained by comparing against the overall divestment consideration as agreed in the Sale and Purchase Agreement. In terms of disclosure, we evaluated the adequacy of the disclosures made in relation to the divestment.

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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 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, 1965 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:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- 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 Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'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 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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, 1965 in Malaysia, we also report the following:

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

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

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Ranhill Holdings Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other reporting responsibilities

The supplementary information set out in Note 49 on page 177 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chong Tse Heng
No.3179/05/17 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 April 2017

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	**1,455,054**	1,315,121	**114,850**	-
Cost of sales	5	**(1,036,467)**	(967,134)	**-**	-
Gross profit		**418,587**	347,987	**114,850**	-
Other items of income					
Interest income	6	**83,487**	61,904	**1,001**	26
Other income	7	**52,032**	7,296	**-**	-
Other items of expense					
Administrative expenses		**(226,065)**	(226,383)	**(15,353)**	(58,885)
Other operating expenses		**(947)**	(1,347)	**-**	-
Tendering and marketing expenses		**(2,403)**	(1,749)	**-**	-
Finance costs	8	**(142,149)**	(99,454)	**(15)**	-
Zakat		**(5,212)**	(1,619)	**-**	-
Share of profit of a joint venture		**8,353**	16,474	**-**	-
Share of results of an associate		**(375)**	-	**-**	-
Profit/(loss) before tax	9	**185,308**	103,109	**100,483**	(58,859)
Income tax expense	12	**(71,345)**	(51,814)	**(4)**	-
Profit/(loss) net of tax		**113,963**	51,295	**100,479**	(58,859)
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		**15,409**	18,120	**-**	-
Recycled foreign currency translation to profit or loss	18(a)	**(16,881)**	-	**-**	-
Share of other comprehensive loss of an associate		**(683)**	-	**-**	-
Total other comprehensive (loss)/income		**(2,155)**	18,120	**-**	-
Total comprehensive income/(loss) for the year		**111,808**	69,415	**100,479**	(58,859)

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) net of tax attributable to:					
Owners of the parent		**72,120**	22,345	**100,479**	(58,859)
Non-controlling interests		**41,843**	28,950	**-**	-
		113,963	51,295	**100,479**	(58,859)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**69,965**	40,465	**100,479**	(58,859)
Non-controlling interests		**41,843**	28,950	**-**	-
		111,808	69,415	**100,479**	(58,859)

		Group	
	Note	2016	2015
Earnings per share attributable to owners of the parent			
- Basic and diluted, for the year (cents)	45	**9**	4

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	13	**575,250**	576,324	**559**	-
Service concession assets	14	**300,039**	600,062	**-**	-
Intangibles	15	**295,193**	297,338	**-**	-
Finance lease receivable	16	**552,580**	593,618	**-**	-
Deferred tax assets	17	**215,787**	252,470	**-**	-
Investment in a subsidiary	18	**-**	-	**1,195,000**	800,000
Investment in a joint venture	19	**5**	157,702	**5**	-
Investment in associates	20	**169,840**	-	**-**	-
Operating financial assets	21	**64,258**	-	**-**	-
Trade and other receivables	22	**72,188**	72,855	**-**	-
		2,245,140	2,550,369	**1,195,564**	800,000
Current assets					
Finance lease receivable	16	**41,038**	38,082	**-**	-
Trade and other receivables	22	**331,453**	333,680	**102,226**	22,684
Operating financial assets	21	**7,253**	-	**-**	-
Inventories	23	**75,562**	74,995	**-**	-
Tax recoverable		**3,479**	2,198	**12**	-
Other current assets	24	**28,229**	24,378	**-**	-
Other financial assets	26	**14,175**	18,942	**-**	-
Deposits, cash and bank balances	27	**460,269**	550,872	**188**	29,519
		961,458	1,043,147	**102,426**	52,203
Total assets		**3,206,598**	3,593,516	**1,297,990**	852,203
Current liabilities					
Retirement benefit obligations	28	**7,065**	7,969	**-**	-
Finance lease payables	29	**1,632**	1,273	**100**	-
Short term borrowings	30	**94,450**	833,111	**-**	-
Zakat	31	**8,699**	8,942	**-**	-
Trade and other payables	32	**416,966**	529,745	**21,619**	12,780
Other current liability	33	**5,229**	302	**-**	-
Service concession obligations	34	**333,401**	390,962	**-**	-
Tax payable		**983**	1,496	**-**	-
		868,425	1,773,800	**21,719**	12,780
Net current assets/(liabilities)		**93,033**	(730,653)	**80,707**	39,423

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities					
Retirement benefit obligations	28	**85,808**	83,976	**-**	-
Finance lease payables	29	**2,478**	2,572	**398**	-
Long term borrowings	30	**1,155,943**	799,862	**-**	-
Trade and other payables	32	**86,523**	4,357	**-**	-
Service concession obligations	34	**-**	320,273	**-**	-
Consumer deposits	35	**180,354**	169,452	**-**	-
Deferred tax liabilities	17	**65,017**	54,940	**-**	-
		1,576,123	1,435,432	**398**	-
Total liabilities		**2,444,548**	3,209,232	**22,117**	12,780
Net assets		**762,050**	384,284	**1,275,873**	839,423
Equity attributable to owners of the parent					
Share capital	36	**888,316**	565,995	**888,316**	565,995
Share premium	37	**387,003**	339,597	**387,003**	339,597
Other reserves	38	**(696,515)**	(732,724)	**554**	(66,169)
		578,804	172,868	**1,275,873**	839,423
Non-controlling interests		**183,246**	211,416	**-**	-
Total equity		**762,050**	384,284	**1,275,873**	839,423
Total equity and liabilities		**3,206,598**	3,593,516	**1,297,990**	852,203

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to the equity holders of the parent								
	Non-distributable				Distributable				
	Share capital RM'000	Share premium RM'000	Currency translation reserves RM'000	Equity component of convertible unsecured loan stock ("CULS") RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2016	565,995	339,597	25,809	1,063	(906,015)	146,419	172,868	211,416	384,284
Total comprehensive income	-	-	(2,155)	-	-	72,120	69,965	41,843	111,808
- Unwinding on interest expense on CULS attributable to non- controlling interests	-	-	-	-	-	-	-	(168)	(168)
- CULS interest paid to non- controlling interests	-	-	-	-	-	-	-	(1,571)	(1,571)
- Issuance of shares for public offering	322,321	64,464	-	-	-	-	386,785	-	386,785
- Share issuance expense	-	(17,058)	-	-	-	-	(17,058)	-	(17,058)
- Effect on acquisition of a subsidiary	-	-	-	-	-	-	-	(65)	(65)
- Effect on disposal of a subsidiary	-	-	-	-	-	-	-	41	41
- Dividends on ordinary shares (Note 39)	-	-	-	-	-	(33,756)	(33,756)	(68,250)	(102,006)
At 31 December 2016	888,316	387,003	23,654	1,063	(906,015)	184,783	578,804	183,246	762,050

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to the equity holders of the parent								
	Non-distributable				Distributable				
	Share capital RM'000	Share premium RM'000	Currency translation reserves RM'000	Equity component of convertible unsecured loan stock ("CULS") RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	-*	-	7,689	2,657	501,882	299,734	811,962	217,433	1,029,395
Total comprehensive income	-	-	18,120	-	-	22,345	40,465	28,950	69,415
- Issuance of share capital arising from the reverse takeover acquisition of Symphony House Berhad	565,995	339,597	-	(1,594)	(1,407,897)	(56,500)	(560,399)	-	(560,399)
- Unwinding on interest expense on CULS attributable to non-controlling interests	-	-	-	-	-	-	-	(142)	(142)
- Dividends paid by subsidiaries prior to combination/reverse takeover acquisition of Symphony House Berhad (Note 39)	-	-	-	-	-	(119,160)	(119,160)	(33,375)	(152,535)
- CULS interest paid to non-controlling interests	-	-	-	-	-	-	-	(1,450)	(1,450)
At 31 December 2015	565,995	339,597	25,809	1,063	(906,015)	146,419	172,868	211,416	384,284

* Represents RM2.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to equity holders of the Company			
	← Non-distributable →		Distributable	
	Share capital RM'000	Share premium RM'000	Retained earnings/ (Accumulated loss) RM'000	Total RM'000
Company				
At 1 January 2016	**565,995**	**339,597**	**(66,169)**	**839,423**
Total comprehensive income for the year	**-**	**-**	**100,479**	**100,479**
Transaction with owners				
Issuance of shares for public offering	**322,321**	**64,464**	**-**	**386,785**
Share issuance expenses	**-**	**(17,058)**	**-**	**(17,058)**
Dividends on ordinary shares (Note 39)	**-**	**-**	**(33,756)**	**(33,756)**
At 31 December 2016	**888,316**	**387,003**	**554**	**1,275,873**
At 1 January 2015	-*	-	(7,310)	(7,310)
Total comprehensive loss for the year	-	-	(58,859)	(58,859)
Transaction with owners				
Issuance of share capital, representing total transaction with owners	565,995	339,597	-	905,592
At 31 December 2015	565,995	339,597	(66,169)	839,423

* Represents RM2.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	**185,308**	103,109	**100,483**	(58,859)
Adjustments for:				
Depreciation of property, plant and equipment	**47,866**	45,943	**71**	-
Net (gain)/loss on disposal of property, plant and equipment	**(291)**	119	**-**	-
Property, plant and equipment written off	**21**	12	**-**	-
Amortisation of service concession asset	**300,049**	300,031	**-**	-
Amortisation of software	**2,381**	2,361	**-**	-
Amortisation of concession rights	**125**	-	**-**	-
Income arising from acquisition of RWTC:				
- Negative goodwill	**(21,910)**	-	**-**	-
- Gain on deemed disposal	**(16,881)**	-	**-**	-
Share of profit of a joint venture	**(8,353)**	(16,474)	**-**	-
Share of results of an associate	**375**	-	**-**	-
Provision for retirement benefit plan	**8,853**	8,940	**-**	-
Remeasurement loss on disposal of a subsidiary	**1,082**	-	**-**	-
Net bad debts written-off	**203**	195	**-**	-
Zakat	**5,212**	1,619	**-**	-
Loss on disposal of a subsidiary	**1,828**	-	**-**	-
Bad debts recovered	**15**	(82)	**-**	-
Allowance for impairments				
- Trade receivables	**1,985**	2,083	**-**	-
- Other receivables	**2,256**	-	**2,256**	-
Net unrealised foreign exchange (gain)/loss	**(3,099)**	233	**-**	209
Provision for foreseeable losses	**-**	194	**-**	-
Provision for liquidated ascertained damages	**2,965**	1,039	**-**	-
Cost of assuming the listing status of Symphony House Berhad	**-**	45,592	**-**	45,592
Dividend income	**-**	-	**(114,850)**	-
Interest income	**(83,487)**	(61,904)	**(1,001)**	(26)
Interest expense	**142,149**	99,454	**15**	-
Operating profit/(loss) before working capital changes carried forward	**568,652**	532,464	**(13,026)**	(13,084)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating profit/(loss) before working capital changes brought forward	**568,652**	532,464	**(13,026)**	(13,084)
Receivables	**(323)**	(78,284)	**(483,806)**	(20,790)
Payables	**(166,607)**	87,617	**81,923**	867
Inventories	**18**	(1,374)	**-**	-
Finance lease receivables	**84,168**	84,168	**-**	-
Operating financial asset	**(9,415)**	-	**-**	-
Other current asset	**286**	(16,086)	**-**	-
Cash generated from/(used in) operations	**476,779**	608,505	**(414,909)**	(33,007)
Retirement benefits plan paid	**(7,925)**	(8,621)	**-**	-
Zakat paid	**(5,455)**	(619)	**-**	-
Tax paid	**(21,607)**	(13,009)	**(16)**	-
Repayments of lease rental payable to PAAB	**(291,597)**	(223,300)	**-**	-
Net cash generated from/(used in) operating activities	**150,195**	362,956	**(414,925)**	(33,007)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(44,460)**	(41,553)	**(84)**	-
Proceeds from disposal of property, plant and equipment	**336**	295	**-**	-
Net cash outflow on acquisition of remaining share of RWTC (Note 18(a))	**(115,321)**	-	**-**	-
Net cash inflow on disposal of a subsidiary (Note 18(b))	**135,608**	-	**-**	-
Disposal of short term investments	**4,767**	6,888	**-**	-
Purchase of software	**(36)**	(58)	**-**	-
Proceed from management buy-out	**-**	60,000	**-**	60,000
Investment in a joint venture	**(5)**	-	**(5)**	-
Dividend received	**4,449**	-	**24,000**	-
Interest received	**37,401**	13,074	**1,001**	26
Net cash generated from investing activities	**22,739**	38,646	**24,912**	60,026

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Advances from a joint venture	**-**	2,500	**-**	2,500
Withdrawal/(placement) of fixed deposits with banking facilities	**70,144**	(29,561)	**-**	-
Finance lease principal repayments	**(1,404)**	(1,231)	**(63)**	-
Repayment of borrowings	**(419,068)**	(85,000)	**-**	-
Proceeds from issuance of shares	**386,785**	-	**386,785**	-
Share issurance expense	**(10,050)**	-	**(10,050)**	-
Drawdown of term loans	**1,664**	-	**-**	-
Payment of premium on early loan redemption	**(17,890)**	-	**-**	-
Dividends paid	**(84,240)**	(177,589)	**(15,990)**	-
Interest paid	**(118,118)**	(60,115)	**-**	-
Net cash (used in)/generated from financing activities	**(192,177)**	(350,996)	**360,682**	2,500
Net (decrease)/increase in cash and cash equivalents	**(19,243)**	50,606	**(29,331)**	29,519
Effect of exchange rate changes on cash and cash equivalents	**(1,216)**	-	**-**	-
Cash and cash equivalents at beginning of year	**305,545**	254,939	**29,519**	-
Cash and cash equivalents at year end (Note 27)	**285,086**	305,545	**188**	29,519
Plant and equipment were acquired by way of the following means:				
Cash	**44,460**	41,553	**84**	-
Finance lease	**1,496**	423	**546**	-
	45,956	41,976	**630**	-

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

Ranhill Holdings Berhad (the "Company") is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and principal place of business of the Company is located at Level 15, Wisma Perkeso, No. 155, Jalan Tun Razak, 50400 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities and other information of the subsidiaries, a joint venture and an associate are set out in Notes 18, 19 and 20 respectively.

There have been no significant change in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2017.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

The adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards will not have any effect on the financial statements in the period of initial application except as discussed below:

<u>MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)</u>

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

2. Significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

(a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on the financial statements.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements in year 2017.

2. Significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profits. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combination

(i) Acquisition method

Acquisition of subsidiaries under business combination are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Business combination (cont'd)

(i) Acquisition method (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.10.

(ii) Pooling of interest method

Business combination under the pooling of interest method are accounted for as follows:

(a) The results of entities are presented as if the combination occurred from the beginning of the earliest period presented in the financial statements;

(b) The assets, liabilities and reserves of the entities are recorded at their pre-combination carrying amounts or existing carrying amounts from the perspective of the common control shareholder at the date of the transfer. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method; and

(c) No new goodwill is recognised as a result of the combination. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve or deficit.

2. Significant accounting policies (cont'd)

2.5 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.7 Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Where necessary, adjustments are made to bring the accounting policies of associates in line with those of the Group.

Goodwill relating to associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

Equity accounting is discontinued when the Group's share of losses and negative reserves in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its 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 in profit or loss.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.8 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Group.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2. Significant accounting policies (cont'd)

2.9 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.9 Foreign currency (cont'd)

(c) Foreign operations (cont'd)

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

Foreign currency	2016 RM	2015 RM
1 United States Dollar ("USD")	**4.43**	4.30
1 Thai Baht ("THB")	**0.13**	0.12
1 Chinese Yuan Renminbi ("CNY")	**0.65**	0.66
1 Hong Kong Dollar ("HKD")	**0.57**	0.55

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Service license

Represents cost of service license under section 4(1) (b) Act 655 of the Water Services Industries Act ("WSIA") issued to a subsidiary to treat raw water, supply and distribute the treated water to the consumers within the State of Johor. The license is subject to formal renewal every three (3) years by Suruhanjaya Perkhidmatan Air Negara ("SPAN") as further disclosed in Note 14. The license is considered to have indefinite useful life as there is no foreseeable limit to the period over which the license is expected to generate new cash inflows to the Group. Accordingly, the service license is not amortised but tested for impairment annually or more frequently, when indicators of impairment are identified.

2. Significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

(c) Operating rights

Represent license ("operating rights") to operate two water treatment plants in Amata City Industrial Estate and Amata Nakorn Industrial Estate, both located in Thailand. The operating rights are stated at cost and are amortised on a straight-line basis over its estimated useful life of 15 years, and expensed to the consolidated statement of comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

(d) Computer software

Computer software acquired separately are measured on initial recognition at cost. The cost of computer software acquired is the fair value as at the date of acquisition. Following the initial recognition, computer software are carried at cost less any accumulated impairment losses. The useful life of the computer software is assessed to be finite and is amortised on a straight-line basis over the estimated useful life and impaired. The amortisation period and the amortisation method for computer software are reviewed at least at each reporting date. Computer software are amortised on a straight-line basis over its estimated useful life of 5 years.

2.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, and only if, it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Power station assets comprises construction costs, materials (including cost of replaceable parts), consultancy, borrowing costs, major maintenance costs and other directly attributable costs incurred in connection with the construction of the power stations.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Capital work in progress are stated at cost and are not depreciated until it is ready for its intended use. Upon completion, capital work in progress are transferred to categories of property, plant and equipment, depending on the nature of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.11 Property, plant and equipment (cont'd)

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual depreciation rates:

Long term leasehold land	2%
Building	21 years
Building structure	1.25% - 2.5%
Power station	35 years
Replaceable parts	4.5%
Plant and machinery	4% - 20%
Renovations	20%
Furniture, fittings and office equipment	2% - 33.3%
Motor vehicles	10% - 20%

Residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions of the residual values and useful lives are included in the profit or loss for the financial period in which the changes arise.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the period the asset is derecognised. Gains and losses on derecognition of the asset are determined by comparing proceeds with the carrying amount of the asset.

2.12 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

At each reporting date, the Group and the Company assess 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.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. Significant accounting policies (cont'd)

2.12 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.14 Impairment of financial assets

The Group and the Company assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2. Significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2.15 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. **Significant accounting policies (cont'd)**

2.15 Financial liabilities (cont'd)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, finance lease liabilities and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.16 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2. Significant accounting policies (cont'd)

2.17 Service concession contracts

A substantial portion of the Group's assets are used within the framework of concession contracts granted by a public sector customer ('grantor'). The characteristics of these contracts vary significantly depending on the country and activity concerned.

In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Such infrastructure are not recognised in assets of the operator as property, plant and equipment but in financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

Intangible asset model

The Group applies the intangible asset model where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the amount recoverable. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service.

Intangible assets resulting from the application of this policy are recorded in the statement of financial position under the heading 'Service Concession Assets' and are amortised, generally on a straight-line basis, over the contract term.

Under the intangible asset model, revenue includes:

- revenue from the construction of the infrastructure on a percentage of completion basis; and

- operating revenue of the infrastructure.

Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- amounts specified or determined in the contracts; or

- the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.17 Service concession contracts (cont'd)

Financial asset model (cont'd)

Financial assets resulting from the application of this policy are recorded in the consolidated statement of financial position under the heading 'operating financial assets' and recognised at amortised cost.

An impairment loss is recognised if the carrying amount of these assets exceeds the fair value, as estimated during impairment tests. Fair value is estimated based on the recoverable amount, calculated by discounting future cash flows (value in use method).

The portion falling due within less than one year is presented in 'Current operating financial assets', while the portion falling due within more than one year is presented in the non-current heading.

Revenue associated with this financial model includes:

- revenue from the construction of the operating financial assets on a percentage of completion basis;

- finance income related to the capital investment in the operating financial assets; and

- operation and maintenance revenue.

2.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Inventories

Inventories comprise water related inventories, distillate fuel, spares and consumables. Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost comprises the purchase price plus cost incurred in bringing the inventories to their present locations and conditions.

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

2. Significant accounting policies (cont'd)

2.20 Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand and bank balances, deposits and short term highly liquid investments with original maturities of three months or less, net of bank overdrafts and other restricted balances.

2.21 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices of countries in which the Group operates. These benefit plans are either a defined contribution or defined benefit plan.

(i) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's obligation under post-employment benefits is limited to a monthly contribution to Employees Provident Fund ("EPF") based on a prescribed statutory rate for all eligible employees.

The Group's contributions to a defined contribution plan are 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 plan

A defined benefit plan is a pension plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.21 Employee benefits (cont'd)

(b) Post-employment benefits (cont'd)

(ii) Defined benefit plan (cont'd)

Actuarial gains and losses are recognised immediately through other comprehensive income in order for the net retirement benefit asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The expected returns on plan assets of defined retirement benefit scheme are not recognised in profit or loss. Instead, the interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net retirement benefit obligations or assets.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group that retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. Leased assets are depreciated over the estimated useful life of the asset.

Operating lease income are recognised as revenue or rental income, in the profit and loss, as set out in Note 2.28(i)(c).

Finance leases, which transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased item, are classified under finance lease receivables.

2. Significant accounting policies (cont'd)

2.22 Leases (cont'd)

(b) As lessor (cont'd)

The Group recognises finance lease receivables, at an amount equal to the net investment in the lease. Any initial direct costs are also added to the amount capitalised. Lease payments are recognised based on an apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the lease receivables. Finance income are recognised in profit or loss.

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

The borrowing costs capitalised in respect of infrastructure assets during the financial period incurred on borrowings obtained to finance the project development works are offset against the finance income which arose from the placement of deposits from the proceeds of the borrowings not utilised during the financial period.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.24 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.24 Income tax (cont'd)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies (cont'd)

2.25 Convertible unsecured loan stocks ("CULS")

The CULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of CULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. On issuance of the CULS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities set out in Note 2.15.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the CULS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

The Group and the Company do not recognise a contingent liability and asset but discloses its existence in the financial statements.

2.27 Zakat

The Group recognises its obligation towards the payment of zakat on business. Zakat for the current financial period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when the Group 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 reporting date are used to determine the zakat expense. The rate of zakat on business, as determined by the National Fatwa Council for is 2.5% on the zakat base. The zakat base of the Group is determined based on net current assets, adjusted for items that do not meet the conditions for zakat assets and liabilities.

2.28 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.28 Revenue recognition (cont'd)

(i) Revenue

(a) Water revenue

Water revenue is recognised when the treated water is recorded through customers' water meters.

(b) Sale of electricity

Sale of electricity is recognised upon delivery of electricity.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Contribution by housing developers

Contribution by housing developers is recognised in accordance with the respective commercial agreements.

(e) Non revenue water reduction income

Revenue arising from Non Revenue Water ("NRW") reduction is recognised under the percentage-of-completion ("POC") method. Under the POC method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from time and material contracts is recognised at the contractual rates as works are carried out and direct expenses incurred.

If circumstances arise that may change the original estimates of revenue, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

(f) Special works and services

Revenue relating to special works and services is recognised upon delivery of performance of services.

2. Significant accounting policies (cont'd)

2.28 Revenue recognition (cont'd)

(i) Revenue (cont'd)

(g) Sale of equipment

Revenue from sale of equipment is recognised upon the transfer of significant risk and rewards of ownership of the equipment to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of equipment.

(h) Construction contract revenue

Revenue from construction contracts is recognised based on the percentage of completion method as described in Note 2.16.

(i) Operation and maintenance revenue

Revenue from operation and maintenance is recognised when the related services are rendered.

(j) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive a payment is established.

(ii) Other item of income

(a) Interest income

Interest income is recognised using the effective interest method.

2.29 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 42.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant accounting policies (cont'd)

2.29 Fair value measurement (cont'd)

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. Significant accounting policies (cont'd)

2.30 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosure of each of these segments are shown in Note 48, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

There were no critical judgements made by the management in the process of applying the Group's accounting policies that may have significant effects on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Useful lives of property, plant and equipment

The estimate of the useful lives of property, plant and equipment are based on expected usage, physical wear and tear, technical and commercial obsolescence are reviewed annually and are updated if expectations differ from previous estimates. Any change to the estimate of the useful lives will affect future depreciation charges. The directors have relied upon past experience and industry practices in exercising their judgement. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 13.

(b) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Uncertainties also exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amounts and timing of future taxable income. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expenses are disclosed in Note 12.

(c) Deferred tax assets

Deferred tax assets are recognised for unabsorbed capital allowances, unutilised reinvestment allowances, unutilised investment allowances, infrastructure allowances, tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the capital allowances, unutilised reinvestment allowances, unutilised investment allowances, infrastructure allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 17.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Impairment of service license and goodwill

Service license and goodwill are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which intangibles are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying values and the key assumptions applied in the impairment assessment of intangibles are disclosed in Note 15.

(e) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 22.

(f) Defined benefit plan

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Malaysia with an AA rating. The bonds have been selected based on the expected duration of the defined benefit obligation and taking into consideration the yield curve respectively.

The mortality and disability rates are based on publicly available mortality tables for Malaysia. Future salary increase is increased based on expected future inflation rates for Malaysia.

Further details about the assumptions used are as stated in Note 28.

(g) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(g) Construction contracts (cont'd)

In making these estimates, management relied on past experience and the work of specialists. The carrying amounts of assets and liabilities arising from construction contracts at the reporting date are disclosed in Note 25.

(h) Divestment of Ranhill Water (Hong Kong) Ltd. ("RWHK") group

As part of the divestment of the RWHK group during the year, the Group estimated the fair value of the total divestment consideration which included the contingent consideration payment. Judgements were applied in assessing the probability of the Group meeting the attached conditions in order to be entitled for the contingent consideration payment.

In addition, in accordance with MFRS 10: Consolidated Financial Statements, the Group recognised the remaining 40% of its equity interest in RWHK as investment in an associate at fair value at the date when control is lost.

Significant estimates were applied in determining the fair value of the remaining interest retained in RWHK, which management had relied amongst others, on valuation performed by an external expertise.

Further details about the divestment is disclosed in Note 18(b).

4. Revenue

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Water revenue	**1,036,069**	916,589	**-**	-
Sale of electricity	**199,751**	183,447	**-**	-
Rental income from operating lease of power station	**118,686**	120,022	**-**	-
Contribution by housing developers	**38,109**	40,466	**-**	-
Non revenue water reduction fees	**12,830**	39,772	**-**	-
Special works	**10,303**	9,192	**-**	-
Sale of equipment	**6,355**	5,162	**-**	-
Construction contract revenue	**14,990**	-	**-**	-
Operation and maintenance revenue	**17,961**	-	**-**	-
Dividend income	**-**	-	**114,850**	-
Rental income	**-**	471	**-**	-
	1,455,054	1,315,121	**114,850**	-

5. Cost of sales

	Group	
	2016	**2015**
	RM'000	**RM'000**
Water and its related costs	**769,352**	746,993
Power and its related costs	**228,226**	215,329
Cost of equipment	**4,383**	3,928
Construction contract costs	**15,735**	-
Operation and maintenance costs	**18,771**	-
Rental cost	**-**	884
	1,036,467	967,134

6. Interest income

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income:				
- Finance lease income (Note 16)	**46,086**	48,830	**-**	-
- Fixed deposits	**15,478**	12,155	**1,001**	26
- Finance income from operating financial assets	**13,702**	-	**-**	-
- Unwinding of interest from deferred payment arrangement	**7,643**	-	**-**	-
- Islamic Money Market fund	**477**	872	**-**	-
- Loans and receivables	**101**	47	**-**	-
	83,487	61,904	**1,001**	26

7. Other income

Included in other income are:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Unrealised foreign exchange gain	**3,812**	2
Realised foreign exchange gain	**1,993**	-
Gain on disposal of property, plant and equipment	**304**	1
Rental income	**1,614**	1,397
Claim from customer	**2,792**	3,667
Income arising from acquisition of RWTC (Note 18(a)):		
- Negative goodwill	**21,910**	-
- Gain on deemed disposal	**16,881**	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Finance costs

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sukuk Musharakah ("Sukuk")	**53,589**	2,593	**-**	-
Musharakah Medium Term Notes ("mMTN")	**39,525**	41,166	**-**	-
Islamic Medium Term Notes ("iMTN")	**2,466**	17,794	**-**	-
Unwinding of interest of service concession obligations	**21,864**	34,442	**-**	-
Term loans	**5,033**	1	**-**	-
Bank overdrafts	**181**	-	**-**	-
Bankers' acceptance	**33**	-	**-**	-
Unwinding of discount on payables	**439**	673	**-**	-
Finance leases	**24**	9	**15**	-
Early redemption premium on Sukuk and mMTN	**17,890**	-	**-**	-
Convertible unsecured loan stocks	**-**	2,206	**-**	-
Others	**1,105**	570	**-**	-
	142,149	99,454	**15**	-

9. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration				
- statutory audit				
- current year	**880**	650	**88**	75
- underprovision in prior year	**18**	2	**13**	-
Amortisation of service concession assets (Note 14)	**300,049**	300,031		
Amortisation of software (Note 15)	**2,381**	2,361	**-**	-
Amortisation of operating rights (Note 15)	**125**	-	**-**	-
Depreciation of property, plant and equipment (Note 13)	**47,866**	45,943	**71**	-
Employee benefits expense (Note 10)	**220,821**	180,436	**-**	-
Directors' remuneration (Note 11)	**14,992**	8,060	**6,188**	1,041
Bad debts written off	**203**	195	**-**	-

9. Profit/(loss) before tax (cont'd)

The following items have been included in arriving at profit/(loss) before tax: (cont'd)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cost of assuming the listing status of Symphony House Berhad	**-**	45,592	**-**	45,592
Listing expenses	**5,633**	-	**5,633**	-
Allowance for impairment (Note 22):				
- Trade receivables	**1,985**	2,083	**-**	-
- Other receivables	**2,256**	-	**2,256**	-
Operating lease rentals:				
- Land and buildings	**3,314**	2,697	**-**	-
- Motor vehicles and equipment	**1,856**	797	**-**	-
- Parking	**57**	102	**-**	-
Property, plant and equipment written off (Note 13)	**21**	12	**-**	-
Provision for foreseeable losses	**-**	194	**-**	-
Provision for liquidated ascertained damages	**2,965**	1,039	**-**	-
Loss on disposal of property, plant and equipment	**13**	119	**-**	-
Remeasurement loss on disposal of a subsidiary (Note 18(b))	**1,082**	-	**-**	-
Loss on disposal of a subsidiary (Note 18(b))	**1,828**	-	**-**	-
Net unrealised foreign exchange loss	**713**	235	**-**	209
Net realised foreign exchange loss	**760**	714	**186**	139
Reverse takeover expenses	**-**	9,918	**-**	9,918

10. Employee benefits expense

	Group	
	2016	2015
	RM'000	RM'000
Wages, salaries and bonus	**141,933**	112,250
Employee allowances	**28,381**	25,874
Defined contribution plan	**19,847**	16,056
Defined benefit retirement plan (Note 28)	**8,853**	8,940
Other staff related expenses	**21,807**	17,316
	220,821	180,436

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Directors' remunerations

The details of remuneration receivable by directors of the Group and the Company are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Executive Directors:				
Fees	**1,013**	748	**1,013**	46
Other emoluments	**355**	14	**355**	-
	1,368	762	**1,368**	46
Executive Directors:				
Fees	**96**	-	**-**	-
Salaries and bonus	**4,907**	2,812	**3,529**	888
Defined contribution plan	**437**	314	**286**	95
Other emoluments	**831**	12	**831**	12
Benefits-in-kind	**174**	-	**174**	-
	6,445	3,138	**4,820**	995
Other Directors of the Group:				
Fees	**1,207**	126	**-**	-
Salaries and bonus	**5,320**	3,123	**-**	-
Defined contribution plan	**522**	421	**-**	-
Other emoluments	**113**	37	**-**	-
Benefits-in-kind	**17**	453	**-**	-
	7,179	4,160	**-**	-
Total	**14,992**	8,060	**6,188**	1,041

12. Income tax expense

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax				
Current income tax:				
- Malaysian income tax	**21,142**	10,706	**-**	-
- Foreign income tax	**489**	-	**-**	-
- (Over)/underprovision in prior year	**(436)**	757	**4**	-
	21,195	11,463	**4**	-

12. Income tax expense (cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax (Note 17)				
- Origination and reversal of deferred tax	**48,282**	33,178	**-**	-
- Relating to foreign deferred tax	**1,949**	-	**-**	-
- (Over)/underprovision in prior year	**(81)**	7,173	**-**	-
	50,150	40,351	**-**	-
Income tax expense	**71,345**	51,814	**4**	-

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2015: 25%) of the estimated assessable profit for the period.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before tax	**185,308**	103,109	**100,483**	(58,859)
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**44,474**	25,777	**24,116**	(14,715)
Different tax rates in other countries	**(124)**	-	**-**	-
Expenses not deductible for tax purposes	**16,412**	23,206	**1,849**	14,715
Income not subject to tax	**(1,133)**	(4,616)	**(27,570)**	-
Deferred tax recognised at different tax rate	**2,285**	-	**-**	-
Deferred tax asset not recognised	**9,948**	(483)	**1,605**	-
(Over)/underprovision of deferred tax in prior year	**(81)**	7,173	**-**	-
Underprovision of income tax in prior year	**(436)**	757	**4**	-
	71,345	51,814	**4**	-

13. Property, plant and equipment

	Plant and machinery RM'000	Building structure RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power station RM'000	Replacement parts RM'000	Capital work-in-progress RM'000	Total RM'000
Group									
Cost:									
At 1 January 2015	119,596	624	175,553	46,005	6,999	675,358	47,880	8,425	1,080,440
Additions	7,025	-	2,092	1,362	-	-	-	31,497	41,976
Disposals	-	-	(51)	(1,780)	-	-	-	-	(1,831)
Transfer	13,997	-	2,439	2,490	-	-	-	(18,926)	-
Written off	-	-	(1,020)	-	-	-	-	-	(1,020)
At 31 December 2015	140,618	624	179,013	48,077	6,999	675,358	47,880	20,996	1,119,565
At 1 January 2016	**140,618**	**624**	**179,013**	**48,077**	**6,999**	**675,358**	**47,880**	**20,996**	**1,119,565**
Additions	**5,248**	**-**	**2,927**	**2,032**	**-**	**-**	**-**	**35,749**	**45,956**
Acquisition of a subsidiary (Note 18(a))	**-**	**-**	**4,173**	**1,645**	**-**	**-**	**-**	**-**	**5,818**
Disposals	**-**	**-**	**(239)**	**(3,623)**	**-**	**-**	**-**	**-**	**(3,862)**
Transfer	**6,769**	**15**	**1,716**	**4,455**	**-**	**-**	**-**	**(12,955)**	**-**
Written off	**(18)**	**-**	**(132)**	**-**	**-**	**-**	**-**	**-**	**(150)**
Disposals of a subsidiary (Note 18(b))	**-**	**-**	**(2,112)**	**(974)**	**-**	**-**	**-**	**-**	**(3,086)**
Exchange differences	**-**	**-**	**49**	**(44)**	**-**	**-**	**-**	**-**	**5**
At 31 December 2016	**152,617**	**639**	**185,395**	**51,568**	**6,999**	**675,358**	**47,880**	**43,790**	**1,164,246**
Accumulated depreciation:									
At 1 January 2015	51,346	19	161,362	31,529	2,380	222,838	30,249	-	499,723
Charge for the year (Note 9)	19,141	10	5,671	4,243	140	16,127	611	-	45,943
Disposals	-	-	(39)	(1,378)	-	-	-	-	(1,417)
Written off	-	-	(1,008)	-	-	-	-	-	(1,008)
At 31 December 2015	70,487	29	165,986	34,394	2,520	238,965	30,860	-	543,241
At 1 January 2016	**70,487**	**29**	**165,986**	**34,394**	**2,520**	**238,965**	**30,860**	**-**	**543,241**
Charge for the year (Note 9)	**19,807**	**10**	**5,091**	**6,079**	**140**	**16,127**	**612**	**-**	**47,866**
Acquisition of a subsidiary (Note 18(a))	**-**	**-**	**2,438**	**1,206**	**-**	**-**	**-**	**-**	**3,644**
Disposals	**-**	**-**	**(237)**	**(3,580)**	**-**	**-**	**-**	**-**	**(3,817)**
Written off	**(7)**	**-**	**(122)**	**-**	**-**	**-**	**-**	**-**	**(129)**
Disposals of a subsidiary (Note 18(b))	**-**	**-**	**(1,093)**	**(716)**	**-**	**-**	**-**	**-**	**(1,809)**
Exchange differences	**-**	**-**	**30**	**(30)**	**-**	**-**	**-**	**-**	**-**
At 31 December 2016	**90,287**	**39**	**172,093**	**37,353**	**2,660**	**255,092**	**31,472**	**-**	**588,996**
Net carrying amount:									
At 31 December 2015	70,131	595	13,027	13,683	4,479	436,393	17,020	20,996	576,324
At 31 December 2016	**62,330**	**600**	**13,302**	**14,215**	**4,339**	**420,266**	**16,408**	**43,790**	**575,250**

13. Property, plant and equipment (cont'd)

	Office equipment RM'000	Motor vehicle RM'000	Total RM'000
Company			
Cost:			
At 1 January 2015/31 December 2015	-	-	-
Additions	3	627	630
At 31 December 2016	**3**	**627**	**630**
Accumulated depreciation:			
At 1 January 2015/31 December 2015	-	-	-
Charge for the year (Note 9)	-	71	71
At 31 December 2016	**-**	**71**	**71**
Net carrying amount:			
At 31 December 2015	-	-	-
At 31 December 2016	**3**	**556**	**559**

<u>Assets held under finance leases</u>

During the current financial year, the Group and the Company acquired motor vehicles with an aggregate cost of RM2,032,000 (2015: RM1,362,000) and RM627,000 of which RM1,496,000 (2015: RM423,000) and RM546,000 were acquired by means of finance leases respectively. The remaining balances were paid for in cash for these assets.

The net book value of motor vehicles of the Group and the Company under finance leases as at 31 December 2016 was RM3,896,000 (2015: RM4,720,000) and RM556,000 respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 29).

<u>Assets pledged as security</u>

In addition to assets held under finance lease, certain Group's property, plant and equipment amounting to RM54,786,000 (2015: RM463,067,000) are pledged as security to financial institutions as security for loan and borrowings, as disclosed in Note 30.

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14. Service concession assets

	Group	
	2016	2015
	RM'000	RM'000
Cost		
At beginning of the year	**900,093**	1,024,958
Additions	**26**	900,093
Less: Completed operating period	**-**	(1,024,958)
At end of the year	**900,119**	900,093
Accumulated amortisation		
At beginning of the year	**300,031**	1,024,958
Amortisation charge for the financial year (Note 9)	**300,049**	300,031
Less: Completed operating period	**-**	(1,024,958)
At end of the year	**600,080**	300,031
Net carrying amounts	**300,039**	600,062

Service concession assets comprise assets resulting from the application of accounting policy as disclosed in Note 2.17 on accounting for concession contracts.

In line with the move to improve the quality, coverage and reliability of the nation's water supply and safeguard the interests of consumers, the Water Services Industry Act ("WSIA") and Suruhanjaya Perkhidmatan Air Negara Act 2006 were introduced. Pursuant to the enactment of the WSIA, Pengurusan Aset Air Berhad ("PAAB") was established for the purposes of, inter alia, acquiring the existing water infrastructure and/or build new water assets which will be leased to water operators.

Under the WSIA, the existing water operators are given an option either to continue to be authorised to carry out the water supply services in accordance with their respective current concession agreements, but subject to certain amendments as may be agreed by Suruhanjaya Perkhidmatan Air Negara ("SPAN") or to migrate to a licensing regime whereby relevant licenses will be granted by SPAN.

On 11 March 2009, a subsidiary of the Group, SAJ Ranhill Sdn. Bhd. ("SAJR") (formerly known as SAJ Holdings Sdn. Bhd.) migrated to the licensing regime for water supply services in the State of Johor via a Master Agreement executed with relevant parties. SAJR had also executed on the same date, the facility agreement with PAAB mainly for the purpose of PAAB to receive the lease rental for the grant of a right to use, occupy and operate the water related assets to SAJR.

Under the new licensing regime, SAJR shall be required to apply and comply with the conditions of a service license to be granted by SPAN. Amongst the conditions are the submission of a Three-Year Business Plan, adherence to a set of Key Performance Indicators and determination of the water tariff by SPAN.

14. Service concession assets (cont'd)

SAJR's application on individual service license under Section 4(1)(b) of WSIA (Act 655) was approved by the Ministry of Energy, Green Technology and Water, for a period of three years, commencing from 1 July 2009 to 30 June 2012. Subsequently, the license was renewed for a period of two and a half years commencing from 1 July 2012 until 31 December 2014 to be consistent with the change in financial year end from June to December.

SAJR is currently under the Third Operating Period which covers from 1 January 2015 to 31 December 2017 which has been approved by SPAN on 27 May 2015.

Apart from the standard conditions set out by SPAN on the individual service license to be complied, SAJR is subjected to the following conditions:

(i) The individual license granted to SAJR to treat raw water, distribute and supply the treated water to the consumers within the State of Johor only;

(ii) SAJR is supervised by SPAN based on a set of key performance indicators;

(iii) SAJR is required at all time to maintain at least 30% of its Bumiputera equity shareholdings;

(iv) Any compensation and grant received by SAJR from the Federal Government must be taken into consideration in computing the profit margin;

(v) SAJR is required to inform and to provide information to SPAN any matter in relation to current, unsettled or threatened litigation, legal proceeding, arbitral and disputes;

(vi) SAJR shall comply with the provisions on procurement and supply works. Any contract of restoration work, maintenance and the supply excluding emergency works should be awarded based on competitive biddings and the duration of the contract shall not exceed two years; and

(vii) SAJR is responsible for the operation and maintenance of assets in rendering water supply service in rural or developed province areas in the State of Johor.

15. Intangibles

	Group	
	2016	2015
	RM'000	RM'000
Goodwill	**11,151**	11,151
Service license	**282,356**	282,356
Software	**1,587**	3,831
Operating rights	**99**	-
	295,193	297,338

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15. Intangibles (cont'd)

Goodwill

The goodwill's cash generating unit ("CGU") is in respect of water services.

Service license

Service license represents cost of service license issued to a subsidiary, SAJ Ranhill Sdn. Bhd. ("SAJR") (formerly known as SAJ Holdings Sdn. Bhd.) to treat raw water, supply and distribute treated water to the consumers of the State of Johor. The service license is not amortised but assessed for impairment at each reporting date or more frequently, when indicators of impairment are identified.

Impairment test of service license and goodwill

The recoverable amounts of water services CGUs are determined based on value-in-use calculations, using pre-tax cash flow projections based on financial budgets approved by the directors for a period consistent with the operating period under the license.

The key assumptions used in the value-in-use calculations are as follows:

	Water services	
	2016	**2015**
	%	**%**
Growth rate[i]	**1.5**	1.5
Pre-tax discount rate[ii]	**14.0**	14.0

[i] Industry growth rate used to extrapolate cash flows beyond the projection period
[ii] Pre-tax discount rate applied to cash flows projections

The directors have determined the growth rate to be consistent with the forecast included in industry reports and does not exceed the long term average growth rate for the CGU. The discount rate used is pre-tax and reflects its specific risk relating to the segment.

Operating rights

Operating rights represents rights issued to a subsidiary of the Group, Ranhill Water Technologies Thai Ltd. ("RWTT") to operate two water treatment plants in Amata City Industrial Estate and Amata Nakorn Industrial Estate, both located in Thailand.

15. Intangibles (cont'd)

Operating rights (cont'd)

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At beginning of the year	**-**	-
Acquisition of a subsidiary (Note 18(a))	**3,128**	-
Exchange differences	**269**	-
At end of the year	**3,397**	-
Accumulated amortisation		
At beginning of the year	**-**	-
Acquisition of a subsidiary (Note 18(a))	**2,916**	-
Amortisation charge for the year (Note 9)	**125**	-
Exchange differences	**257**	-
At end of the year	**3,298**	-
Net carrying amount	**99**	-

Software

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At beginning of the year	**12,819**	12,761
Acquisition of a subsidiary (Note 18(a))	**134**	-
Addition during the year	**36**	58
Exchange differences	**4**	-
At end of the year	**12,993**	12,819
Accumulated amortisation		
At beginning of the year	**8,988**	6,627
Acquisition of a subsidiary (Note 18(a))	**36**	-
Amortisation charge for the year (Note 9)	**2,381**	2,361
Exchange differences	**1**	-
At end of the year	**11,406**	8,988
Net carrying amount	**1,587**	3,831

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16. Finance lease receivable

	Group	
	2016	2015
	RM'000	RM'000
At beginning of the year	**631,700**	667,038
Repayments	**(84,168)**	(84,168)
Finance lease income (Note 6)	**46,086**	48,830
At end of the year	**593,618**	631,700
The finance lease receivable is further analysed as follows:		
Gross amounts receivable	**909,950**	994,118
Less: Unearned finance interest income	**(316,332)**	(362,418)
Finance lease receivables	**593,618**	631,700
Analysed into:		
Current	**41,038**	38,082
Non-current	**552,580**	593,618
	593,618	631,700

	Group	
	2016	2015
	RM'000	RM'000
The terms of the lease agreement is summarised as follows:		
Gross amounts receivable within:		
Not later than 1 year	**84,168**	84,168
Later than 1 year but not later than 2 years	**84,168**	84,168
Later than 2 years but not later than 5 years	**252,503**	252,503
Later than 5 years	**489,111**	573,279
Total minimum lease payments receivable	**909,950**	994,118
Less: Unearned finance interest income	**(316,332)**	(362,418)
	593,618	631,700
Present value of payments receivable:		
Not later than 1 year	**41,038**	38,082
Later than 1 year but not later than 2 years	**44,224**	41,038
Later than 2 years but not later than 5 years	**154,358**	143,238
Later than 5 years	**353,998**	409,342
Present value of minimum lease payments receivable	**593,618**	631,700

The finance lease receivable represents a single lease arrangement in relation to its power station facility at reporting date. The lease arrangement has a term of 21 years commencing from the Commercial Operation Date of the facility on 22 April 2011.

17. Deferred taxation

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

	Deferred tax assets						
	Unutilised reinvestment allowance RM'000	**Unutilised investment allowance RM'000**	**Unabsorbed capital allowance RM'000**	**Unutilised tax losses RM'000**	**Provisions RM'000**	**Others RM'000**	**Total RM'000**
Group							
At 1 January 2015	47,126	197,544	149,964	3,657	40,815	30,128	469,234
Recognised in profit and loss	(9,538)	(2,243)	(42,988)	-	(3,743)	26,505	(32,007)
At 31 December 2015	37,588	195,301	106,976	3,657	37,072	56,633	437,227
At 1 January 2016	**37,588**	**195,301**	**106,976**	**3,657**	**37,072**	**56,633**	**437,227**
Acquisition of subsidiary (Note 18(a))	**-**	**-**	**11**	**3,946**	**1,177**	**-**	**5,134**
Disposal of subsidiary (Note 18(b))	**-**	**-**	**-**	**-**	**(1,130)**	**-**	**(1,130)**
Recognised in profit and loss	**(12,514)**	**(28,363)**	**4,168**	**201**	**103**	**(9,609)**	**(46,014)**
Exchange differences	**-**	**-**	**-**	**307**	**19**	**-**	**326**
At 31 December 2016	**25,074**	**166,938**	**111,155**	**8,111**	**37,241**	**47,024**	**395,543**

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

17. Deferred taxation (cont'd)

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

	Deferred tax liabilities			
	Property, plant and equipment RM'000	Convertible unsecured loan stocks RM'000	Others RM'000	Total RM'000
Group				
At 1 January 2015	(230,709)	(504)	(140)	(231,353)
Recognised in profit and loss	(8,434)	90	-	(8,344)
At 31 December 2015	(239,143)	(414)	(140)	(239,697)
At 1 January 2016	**(239,143)**	**(414)**	**(140)**	**(239,697)**
Acquisition of subsidiary (Note 18(a))	**(22,731)**	**-**	**45**	**(22,686)**
Disposal of subsidiary (Note 18(b))	**22,550**	**-**	**-**	**22,550**
Recognised in profit and loss	**668**	**(4,760)**	**(44)**	**(4,136)**
Exchange differences	**(804)**	**-**	**-**	**(804)**
At 31 December 2016	**(239,460)**	**(5,174)**	**(139)**	**(244,773)**

Presented after appropriate offsetting as follows:

	Group	
	2016 RM'000	2015 RM'000
Deferred tax assets	**215,787**	252,470
Deferred tax liabilities	**(65,017)**	(54,940)
	150,770	197,530

Deferred tax assets for the Group and the Company have not been recognised in respect of the following item:

	Group	
	2016 RM'000	2015 RM'000
Unutilised investment allowances	**168,404**	145,348
Unutilised business losses	**17,850**	904
Others	**1,449**	-
	187,703	146,252

The unutilised investment allowances and business losses of the Group are available to offset against future taxable profits subject to guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of the above items as the Group could not anticipate their realisation.

18. Investment in a subsidiary

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted shares, at cost	**395,000**	-*
Amount due from a subsidiary	**800,000**	800,000
	1,195,000	800,000

During the year the Company increased its investment in its subsidiary, Ranhill Capital Sdn. Bhd., via the capitalisation of the amount due from the subsidiary amounting to RM394,999,998.

The amount due from the subsidiary is unsecured, interest-free and repayable at the discretion of the subsidiary.

* Represents RM2.

(a) Acquisition

On 20 May 2016, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. ("RCSB") completed the acquisition of the remaining 47.9% equity interest in Ranhill Water Technologies (Cayman) Ltd. ("RWTC") and its subsidiaries for a cash consideration of RM116,386,000 (USD29,009,000). Following the transaction, RWTC became a subsidiary of the Group.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of RWTC and its subsidiaries at the date of acquisition were as follows:

	Fair value recognised on acquisition RM'000
Assets	
Plant and equipment (Note 13)	2,174
Investment in a joint venture	11,353
Deferred tax assets (Note 17)	1,289
Operating rights (Note 15)	212
Software (Note 15)	98
Trade and other receivables	94,054
Operating financial assets (Note 21)	565,520
Amount due from customers	5
Inventories	940
Prepayments	1,358
Cash and bank balances	8,082
	685,085

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18. Investment in a subsidiary (cont'd)

(a) Acquisition (cont'd)

Assets acquired and liabilities assumed (cont'd)

The fair values of the identifiable assets and liabilities of RWTC and its subsidiaries at the date of acquisition were as follows: (cont'd)

	Fair value recognised on acquisition RM'000
Liabilities	
Loans and borrowings	158,733
Finance lease creditors	149
Deferred tax liabilities (Note 17)	18,841
Trade and other payables	215,777
Amount due to customers	2,153
Taxation	683
	396,336
Total group's share of identifiable net assets at fair value	138,311
Less: Non-controlling interests measured at fair value	(15)
	138,296
Total purchase consideration	116,386
Negative goodwill on acquisition (Note 7)	21,910

The effect of the acquisition on cash flows is as follows:

	RM'000
Purchase consideration satisfied by cash	116,386
Cash and bank balances of subsidiaries acquired	8,082
Less: Bank overdraft	(3,929)
Less: Restricted cash	(3,088)
Cash and cash equivalents	1,065
Net cash outflow	115,321

18. Investment in a subsidiary (cont'd)

(a) Acquisition (cont'd)

Gain on deemed disposal of equity interests previously owned at the date of acquisition

	RM'000
Carrying amount of equity interests previously owned at the date of acquisition	150,438
Less: Fair value of equity interests previously owned at the date of acquisition	(150,438)
Add: Recycled foreign exchange reserve to profit or loss	16,881
Gain on deemed disposal (Note 7)	16,881

Impact of acquisition in profit or loss

From the date of acquisition, RWTC and its subsidiaries have contributed revenue of RM33,164,000 and profit for the year of RM783,000 to the Group.

(b) Disposal

On 12 December 2016, RWTC entered into an agreement with SIIC Environment Holdings Ltd.'s indirectly wholly-owned subsidiary, Asia Wisdom Investments Ltd. to dispose 60% equity interest in Ranhill Water (Hong Kong) Limited ("RWHK") and its subsidiaries for an aggregate consideration of approximately RM175,597,000 (RMB273,900,000). The fair value of the divestment consideration after accounting for the contingent consideration is approximately RM156,386,000 (RMB243,900,000).

Upon the disposal, RWHK and its subsidiaries became associates of the Group as further disclosed in Note 20.

The disposal of RWHK and its subsidiaries had the following effect on the financial position, performance and cash flows of the Group:

	At the date of disposal RM'000
Assets	
Plant and equipment (Note 13)	1,277
Investment in a joint venture	1,669
Trade and other receivables	26,965
Operating financial assets (Note 21)	524,772
Inventories	355
Cash and bank balances	7,954
	562,992

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18. Investment in a subsidiary (cont'd)

(b) Disposal (cont'd)

The disposal of RWHK and its subsidiaries had the following effect on the financial position, performance and cash flows of the Group: (cont'd)

	At the date of disposal RM'000
Liabilities	
Loans and borrowings	131,044
Deferred tax liabilities (Note 17)	21,420
Trade and other payables	169,542
Taxation	1,109
	323,115
Total net assets disposed	239,877
Less: Realisation of unrealised profit	(7,086)
Add: Recycled foreign exchange reserve	21,298
Less: Net loss on remeasurement recognised in profit or loss (Note 9)	(1,082)
Less: Net assets retained	(94,793)
	158,214
Proceeds from disposal of a subsidary settled by:	
- Cash	143,562
- Contingent consideration* (Note 22)	12,824
Loss on disposal of a subsidiary (Note 9)	(1,828)

* Contingent consideration represents the fair value of consideration receivable that is contingent on meeting certain conditions as stated in the Sales and Purchase Agreement.

The effect of the disposal on cash flows is as follows:

	RM'000
Proceeds from disposal of a subsidiary settled by cash	143,562
Less: Cash and cash equivalents of a subsidiary disposed	(7,954)
Net cash inflow on disposal of the subsidiary at the date of disposal	135,608

18. Investment in a subsidiary (cont'd)

(c) Details of the Group's subsidiaries are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^		% of ownership interest held by non-controlling interests^	
			2016	**2015**	**2016**	**2015**
Held by the Company:						
Ranhill Capital Sdn. Bhd.[1]	Malaysia	Investment holding and provision of management services to its subsidiaries.	**100**	100	**-**	-
Held by Ranhill Capital Sdn. Bhd.						
Ranhill Powertron Sdn. Bhd.[1]	Malaysia	Independent power producer.	**60**	60	**40**	40
Ranhill Powertron II Sdn. Bhd.[1]	Malaysia	Independent power producer.	**80**	80	**20**	20
Ranhill Power O&M Sdn. Bhd.[1]	Malaysia	Operation and maintenance services for power plants station.	**60**	60	**40**	40
Ranhill Power II O&M Sdn. Bhd.[1]	Malaysia	Operation and maintenance services for power plants station.	**80**	80	**20**	20
Ranhill Power Services Sdn. Bhd.[1]	Malaysia	Provision of support to the subsidiaries in the power division.	**100**	100	**-**	-
SAJ Ranhill Sdn. Bhd.[1] (formerly known as SAJ Holdings Sdn. Bhd.)	Malaysia	Abstraction of raw water, treatment of water, distribution and sale of treated water to consumers in the State of Johor pursuant to its migration from services concession arrangement to operating services arrangement.	**80**	80	**20**	20
Ranhill Water Services Sdn. Bhd.[1]	Malaysia	Providing and carrying on project management consultancy services relating to both domestic and overseas water-related projects.	**100**	100	**-**	-
Ranhill Water Technologies (Cayman) Ltd.[1]	Cayman Islands	Investment holding activities and provision of consultancy services, project management, engineering, procurement, construction, supply of equipment, operation and maintenance services to both municipal and industrial water, sewerage and wastewater treatment plants.	**100**	52	**-**	48
Ranhill Water Resources Sdn. Bhd.[1]	Malaysia	Investment holding.	**100**	-	**-**	-

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For the financial year ended 31 December 2016

18. Investment in a subsidiary (cont'd)

(c) Details of the Group's subsidiaries are as follows: (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^		% of ownership interest held by non-controlling interests^	
			2016	2015	2016	2015
Held by Ranhill Capital Sdn. Bhd. (cont'd)						
Ranhill Water Transfer Sdn. Bhd.[1]	Malaysia	Investment holding.	**100**	-	**-**	-
Ranhill Watertech Solutions Sdn. Bhd.[1]	Malaysia	Investment holding.	**100**	-	**-**	-
Held by Ranhill Water Services Sdn. Bhd.						
Premier Water Services Sdn. Bhd.[1]	Malaysia	Provision, operation, management, improvement and upgrading of the water advanced pressure management in relation to non revenue water related business or activities.	**60**	60	**40**	40
Held by Ranhill Watertech Solutions Sdn. Bhd.						
Ranhill International Trade (Hong Kong) Investment Ltd.[3]	Hong Kong	To undertake investment holding activities and provisions of consultancy, project management, operations and maintenance services relating to portable water treatment plants.	**51**	27	**49**	73
Ranhill Venture (Hong Kong) Ltd.[3]	Hong Kong	To undertake investment holding activities and provisions of consultancy, project management, operations and maintenance services relating to portable water treatment plants.	**100**	52	**-**	48
Held by Ranhill Water Technologies (Cayman) Ltd.						
Ranhill Water Technologies Sdn. Bhd.[1]	Malaysia	To undertake investment holding activities and provision of consultancy services, project management, engineering, procurement, construction, supply of equipment, operation and maintenance services to both municipal and industrial water, sewerage and wastewater treatment plants.	**100**	52	**-**	48

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For the financial year ended 31 December 2016

18. Investment in a subsidiary (cont'd)

(c) Details of the Group's subsidiaries are as follows: (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^		% of ownership interest held by non-controlling interests^	
			2016	2015	2016	2015
Held by Ranhill Water Technologies Sdn. Bhd.						
Ranhill Water Technologies (Thai) Ltd.[2]	Thailand	To undertake consultancy services, project management, engineering, supply construction and operation for potable and wastewater treatment plant.	**100**	52	**-**	48
AnuRak Water Treatment Facilities Co. Ltd.[2]	Thailand	To undertake potable water, wastewater and reclaimed water treatment services for domestic and industrial use.	**100**	52	**-**	48
KWI (Guangzhou) Environmental Engineering Technology Co. Ltd.[2]	China	Ceased operations.	**51**	27	**49**	73
Top Zone Solutions Sdn. Bhd.[1]	Malaysia	To undertake construction, structural, civil, engineering, electrical and mechanical work for potable water and wastewater treatment plant.	**100**	52	**-**	48

^ Equals to the proportion of voting rights held
1 Audited by Ernst & Young, Malaysia
2 Audited by firm other than Ernst & Young
3 Audited by member firms of Ernst & Young Global

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18. Investment in a subsidiary (cont'd)

(d) Summarised financial information of Ranhill Powertron Sdn Bhd ("RPI"), Ranhill Powertron II Sdn Bhd ("RPII"), and SAJ Ranhill Sdn Bhd ("SAJR") (formerly known as SAJ Holdings Sdn Bhd) which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of Ranhill Power O&M Sdn Bhd ("RPOMI"), Ranhill Power II O&M Sdn Bhd ("RPOMII") and Premier Water Services Sdn Bhd ("PWS") are not material to the Group.

(i) Summarised statements of financial position:

	RPI RM'000	RPII RM'000	SAJR RM'000	Total RM'000
As at 31 December 2016				
Non-current assets	**443,665**	**590,474**	**704,627**	**1,738,766**
Current assets	**92,266**	**212,656**	**467,385**	**772,307**
Total assets	**535,931**	**803,130**	**1,172,012**	**2,511,073**
Current liabilities	**159,182**	**57,840**	**670,675**	**887,697**
Non-current liabilities	**91,740**	**597,650**	**348,445**	**1,037,835**
Total liabilities	**250,922**	**655,490**	**1,019,120**	**1,925,532**
Equity attributable to owners of the Company	**172,068**	**117,979**	**122,314**	**412,361**
Non-controlling interests	**112,941**	**29,661**	**30,578**	**173,180**
Net assets	**285,009**	**147,640**	**152,892**	**585,541**
As at 31 December 2015				
Non-current assets	462,337	637,909	1,022,813	2,123,059
Current assets	220,945	207,554	482,277	910,776
Total assets	683,282	845,463	1,505,090	3,033,835
Current liabilities	82,519	62,605	772,582	917,706
Non-current liabilities	248,308	626,306	573,710	1,448,324
Total liabilities	330,827	688,911	1,346,292	2,366,030
Equity attributable to owners of the Company	212,415	125,109	121,222	458,746
Non-controlling interests	140,040	31,443	37,576	209,059
Net assets	352,455	156,552	158,798	667,805

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18. Investment in a subsidiary (cont'd)

(d) (ii) Summarised statements of comprehensive income:

	RPI RM'000	RPII RM'000	SAJR RM'000	Total RM'000
For the year ended 31 December 2016				
Revenue	**213,652**	**104,585**	**1,084,481**	**1,402,718**
Profit/(loss) for the year	**30,554**	**(8,912)**	**137,843**	**159,485**
Profit/(loss) attributable to owners of the Company	**16,714**	**(7,130)**	**110,274**	**119,858**
Profit/(loss) attributable to the non-controlling interests	**13,840**	**(1,782)**	**27,569**	**39,627**
Profit/(loss) for the year representing total comprehensive income	**30,554**	**(8,912)**	**137,843**	**159,485**
Total comprehensive income/(loss) attributable to owners of the Company	**16,714**	**(7,130)**	**110,274**	**119,858**
Total comprehensive income/(loss) attributable to non-controlling interests	**13,840**	**(1,782)**	**27,569**	**39,627**
	30,554	**(8,912)**	**137,843**	**159,485**
For the year ended 31 December 2015				
Revenue	199,596	103,873	966,247	1,269,716
Profit/(loss) for the year	26,625	(957)	75,594	101,262
Profit/(loss) attributable to owners of the Company	15,975	(766)	60,475	75,685
Profit/(loss) attributable to the non-controlling interests	10,650	(191)	15,119	25,577
Profit/(loss) for the year representing total comprehensive income	26,625	(957)	75,594	101,262
Total comprehensive income/(loss) attributable to owners of the Company	15,975	(766)	60,475	75,685
Total comprehensive income/(loss) attributable to non-controlling interests	10,650	(191)	15,119	25,577
	26,625	(957)	75,594	101,262

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

18. Investment in a subsidiary (cont'd)

(d) (iii) Summarised statements of cash flows:

	RPI RM'000	RPII RM'000	SAJR RM'000	Total RM'000
For the year ended 31 December 2016				
Net cash generated from operating activities	**59,940**	**52,862**	**428,033**	**540,835**
Net cash generated from/(used in) investing activities	**122,481**	**10,603**	**(26,235)**	**106,849**
Net cash used in financing activities	**(195,264)**	**(67,987)**	**(446,358)**	**(709,609)**
Net decrease in cash and cash equivalents	**(12,843)**	**(4,522)**	**(44,560)**	**(61,925)**
Cash and cash equivalents at beginning of the year	**32,373**	**17,655**	**190,784**	**240,812**
Cash and cash equivalents at end of the year	**19,530**	**13,133**	**146,224**	**178,887**
For the year ended 31 December 2015				
Net cash generated from operating activities	62,691	90,988	377,891	531,570
Net cash generated from/(used in) investing activities	10,612	(6,668)	(40,322)	(36,378)
Net cash used in financing activities	(106,600)	(69,404)	(331,229)	(507,233)
Net (decrease)/increase in cash and cash equivalents	(33,297)	14,916	6,340	(12,041)
Cash and cash equivalents at beginning of the year	65,670	2,739	184,444	252,853
Cash and cash equivalents at end of the year	32,373	17,655	190,784	240,812

19. Investment in a joint venture

The Group had joint control on its joint arrangement as unanimous consent is required for relevant activities from the parties sharing control under the contractual arrangement.

The joint arrangements were structured via separate entities and provide the group with the rights to the net assets of the entities under the arrangements. Therefore these entities were classified as a joint venture of the Group.

(a) Details of the Group's joint venture were as follows:

Name	Principal place of business/ Country of incorporation	% of ownership interest held by the Group 2016	2015	Nature of relationship	Accounting model applied
Ranhill Water Technologies (Cayman) Ltd.[1]	Cayman Island	**-**	52	Note (i)	Equity method
Avantang Power Sdn. Bhd.[1]	Malaysia	**50**	-	Note (ii)	Equity method

(i) On 20 May 2016, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. ("RCSB") completed the acquisition of the remaining 47.9% equity interest in Ranhill Water Technologies (Cayman) Ltd. ("RWTC") and its subsidiaries for a cash consideration of RM116,386,000 (USD29,009,000). Following the transaction, RWTC became a subsidiary of the Group.

(ii) On 18 April 2016, the Company completed the acquisition of 50% equity interest in Avantang Power Sdn. Bhd. ("APSB"). The intended principal activities of the joint venture are to develop a gas power plant, transmission, distribution and/or sales of electricity. The joint venture has not commenced operations since its incorporation. The summarised financial information of APSB is not presented as it is not material to the Group.

[1] Audited by Ernst & Young, Malaysia

20. Investment in associates

	Group 2016 RM'000	2015 RM'000
Unquoted shares, at cost	**94,869**	-
Unrealised profit	**(3,979)**	-
	90,890	-
Add: Share of post acquisition reserves	**(1,059)**	-
	89,831	-
Exchange difference	**(149)**	-
Amount due from an associate	**80,158**	-
	169,840	-

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For the financial year ended 31 December 2016

20. Investment in associates (cont'd)

On 12 December 2016, Ranhill Water Technologies (Cayman) Ltd. ("RWTC") disposed 60% of equity interests in Ranhill Water (Hong Kong) Ltd. ("RWHK") and its subsidiaries as described in Note 18(b). Accordingly, RWHK and its subsidiaries are now associates of the Group.

The amount due from an associate represents advances to the associate which is unsecured, interest-free and is not repayable within the next 12 months. The Group views this advances as part of the Group's investment in the associate.

(a) Details of the Group's associates are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2016	2015	Accounting model applied
Held by Ranhill Water Technologies (Cayman) Ltd.					
Ranhill Water (Hong Kong) Ltd.[1]	Hong Kong	To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to wastewater treatment plants.	**40**	52	Equity method
Held by Ranhill Water (Hong Kong) Ltd.					
Ranhill (Yongxin) Water Co. Ltd.[1]	China	To undertake wastewater treatment services for Yongxin Country Industrial Park.	**40**	-	Equity method
Ranhill (Nanchang) Waste Water Co. Ltd.[2]	China	To undertake wastewater treatment services for Xiao Lan Economic Development Zone.	**40**	52	Equity method
Ranhill (Hefei) Wastewater Treatment Co. Ltd.[2]	China	To undertake wastewater treatment services for Hefei Chemical Industrial Park.	**40**	52	Equity method
Ranhill (Xinxiang) Wastewater Treatment Co. Ltd.[2]	China	To undertake wastewater treatment services for Xinxiang Industrial Park.	**40**	52	Equity method
Ranhill (Yingkou) Wastewater Treatment Co. Ltd.[2]	China	To undertake wastewater treatment services for Yingkou Economic & Technology Development Zone.	**40**	52	Equity method

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For the financial year ended 31 December 2016

20. Investment in associates (cont'd)

(a) Details of the Group's associates are as follows: (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2016	2015	Accounting model applied
Held by Ranhill Water (Hong Kong) Ltd. (cont'd)					
Ranhill Water Technologies (Shanghai) Ltd.[2]	China	To undertake consultancy services on potable water, wastewater technologies and project management.	**40**	52	Equity method
Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd.[2]	China	To undertake design, construction and operation for wastewater treatment and environmental protection facilities in Xiatang Heavy Industrial Park.	**40**	52	Equity method
Ranhill (Fuzhou) Water Co. Ltd.[2]	China	To undertake water, reclaimed water and wastewater projects in Yihuang Industrial Park.	**40**	52	Equity method
Ranhill (Wanzai) Water Co. Ltd.[2]	China	To undertake water, reclaimed water and wastewater projects in Wanzai Industrial Park, Yichun City.	**40**	52	Equity method
Ranhill (Qingtongxia) Wastewater Treatment Co. Ltd.[2]	China	Undertaking industrial wastewater treatments services, design, construction and operation for wastewater treatment plant in Qingtongxia New Material Base Industrial Park.	**40**	52	Equity method
Ranhill (Fuxin) Water Co. Ltd.[2]	China	To undertake wastewater treatments services for Fuxin Coal Chemical Industrial Base.	**40**	52	Equity method
Ranhill (Chongren) Water Co. Ltd.[2]	China	To undertake wasterwater treatments services for Chongren Industrial Park.	**40**	52	Equity method

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For the financial year ended 31 December 2016

20. Investment in associates (cont'd)

(b) Details of the Joint Venture of the Group's associates are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2016	2015	Accounting model applied
Joint venture held by Ranhill Water (Hong Kong) Ltd.					
Pinang Water Ltd.[2]	Federal Territory of Labuan, Malaysia	To undertake construction water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.	**15**	19	Equity method
Subsidiary held by Pinang Water Ltd.					
YiChun Pinang Water Co. Ltd.[3]	China	To undertake water treatment, management and supply of treated water.	**-**	19	Equity method

On 26 April 2016, Pinang Water Ltd. ("PWL") entered into a contract with YinLong Water Affairs Investment Limited ("YinLong") to dispose 100% equity interest in YPWC for a consideration of approximately RM33,247,000 (RMB55,000,000). The share transfer was completed in August 2016.

1 Audited by member firms of Ernst & Young Global
2 Audited by firm other than Ernst & Young, Malaysia

(c) Summarised financial information of associated company material to the Group, Ranhill Water (Hong Kong) Ltd. is set out below:

(i) Summarised statement of financial position

	2016 RM'000
Non-current assets	**501,096**
Cash and bank balances	**7,218**
Other current assets	**57,243**
Total current assets	**64,461**
Total assets	**565,557**
Non-current liabilities	**(191,556)**
Current liabilities	**(136,956)**
Total liabilities	**(328,512)**
Net assets	**237,045**

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

20. Investment in associates (cont'd)

(c) Summarised financial information of associated company material to the Group, Ranhill Water (Hong Kong) Ltd. is set out below: (cont'd)

(ii) Summarised statement of comprehensive income

	1.1.2016 to 31.12.2016 RM'000
Revenue	50,677
Profit before tax	16,798
Tax expense	(4,983)
Profit after tax	11,815
Other comprehensive loss	(20,875)
Total comprehensive loss for the year	(9,060)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in an associate

	2016 RM'000
Net assets at date of disposal	239,877
Loss for the period	(940)
Other comprehensive loss	(1,710)
Exchange differences	(186)
Net assets as at 31 December	237,041
Interest in an associate	40%
	94,816
Less: Loss on fair value remeasurement (Note 18(b))	(1,082)
Less: Unrealised profit	(3,979)
Exchange differences	(73)
Add: Amount due from an associate	80,158
Carrying value of Group's interest in an associate	169,840

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. Operating financial assets

Operating financial assets comprise financial assets in accordance with accounting policies for concession contracts as described in Note 2.17.

	Group	
	2016	2015
	RM'000	RM'000
Current	7,253	-
Non-current	64,258	-
	71,511	-

The movements in the net carrying amounts of non-current and current operating financial assets are as follows:

	Group	
	2016	2015
	RM'000	RM'000
At beginning of year	-	-
Acquisition of subsidiary (Note 18(a))	565,520	-
Additions	24,302	-
Repayments	(14,887)	-
Disposal of subsidiary (Note 18(b))	(524,772)	-
Exchange differences	21,348	-
At end of year	71,511	-

Operating financial assets amounting to RM50,655,000 is charged for borrowings as disclosed in Note 30.

A wholly-owned subsidiary of the Group, Ranhill Water Technologies (Cayman) Ltd. ("RWTC") manages potable water, wastewater and reclamation water services. These services encompass the design, construction, implementation, fabrication, installation, commission, operation and maintenance of water treatment plant.

These services are primarily rendered under Build Operate Transfer ("BOT") contracts with terms ranging from 8 years to 30 years. These services use specific assets, such as potable water and wastewater treatment plants, which are generally build by RWTC and to be returned to concession grantor at the end of the contract.

22. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Third parties (Note a)	**219,319**	159,006	**-**	-
Amounts due from associates (Note c)	**13,554**	870	**-**	-
Retention sum on contracts (Note 25)	**2,910**	2,671	**-**	-
	235,783	162,547	**-**	-
Less: Allowance for impairment (Note a)	**(30,321)**	(27,324)	**-**	-
Trade receivables, net	**205,462**	135,223	**-**	-
Non-trade				
Other receivables and deposits	**55,826**	21,200	**13,289**	17
Contingent consideration receivable (Note 18(b))	**12,824**	-	**-**	-
Receivables from PAAB (Note b)	**19,231**	30,194	**-**	-
Receivable from the State Government of Johor	**15,916**	8,507	**-**	-
Amount due from subsidiaries (Note c)	**-**	-	**91,152**	15,001
Amounts due from a joint venture (Note c)	**-**	130,603	**-**	-
Amounts due from associates (Note c)	**7,223**	-	**-**	-
Amounts due from a related party (Note c)	**17,227**	287	**41**	-
Deferred transaction costs (Note d)	**-**	7,666	**-**	7,666
	128,247	198,457	**104,482**	22,684
Less: Allowance for impairment (Note e)	**(2,256)**	-	**(2,256)**	-
Non-trade receivables, net	**125,991**	198,457	**102,226**	22,684
Total current receivables	**331,453**	333,680	**102,226**	22,684
Non-current				
Non-trade				
Refundable deposits (Note 35)	**70,408**	70,408	**-**	-
Retention sum on contracts (Note 25)	**1,780**	2,447	**-**	-
	72,188	72,855	**-**	-
Total trade and other receivables	**403,641**	406,535	**102,226**	22,684
Add: Cash and bank balances (Note 27)	**460,269**	550,872	**188**	29,519
Total loan and receivables	**863,910**	957,407	**102,414**	52,203

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For the financial year ended 31 December 2016

22. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2015: 15 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired	**179,960**	108,814
1 to 30 days past due not impaired	**6,551**	6,880
31 to 60 days past due not impaired	**5,342**	6,115
61 to 90 days past due not impaired	**3,729**	2,378
91 to 120 days past due not impaired	**2,181**	1,630
More than 121 days past due not impaired	**7,699**	9,406
	25,502	26,409
Impaired	**30,321**	27,324
	235,783	162,547

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM25,502,000 as at 31 December 2016 (2015: RM26,409,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

22. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016 RM'000	2015 RM'000
Trade receivables		
- nominal amounts	**148,095**	114,081
Less: Allowance for impairment	**(30,321)**	(27,324)
	117,774	86,757

Movement in allowance accounts:

	Group	
	2016 RM'000	2015 RM'000
At beginning of financial year	**27,324**	25,241
Acquisition of a subsidiary	**1,011**	-
Charge for the year (Note 9)	**1,985**	2,083
Exchange differences	**1**	-
At end of financial year	**30,321**	27,324

(b) Receivable from PAAB

This amount represents capital expenditure on water related assets (completed and in-progress). The balances with PAAB are expected to be settled within the next 12 months.

(c) Amounts due from subsidiaries, associates and a related party

Amounts due from subsidiaries, associates and a related party are unsecured, interest-free and repayable on demand.

(d) Deferred transaction costs

Deferred transaction costs in the prior year was in respect of expenses incurred for the issuance of new shares of the Company in prior year. These costs have been written off against the share premium arising from the issuance of new shares.

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22. Trade and other receivables (cont'd)

(e) Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM2,256,000 (2015: RM nil) for impairment of amount due from an other debtor with a nominal amount of RM2,278,000 (2015: RM nil).

The currency exposure profile of trade receivable and other receivable are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**372,301**	406,535	**102,226**	22,684
Chinese Renminbi	**26,608**	-	**-**	-
Thai Baht	**2,936**	-	**-**	-
US Dollar	**1,793**	-	**-**	-
Hong Kong Dollar	**3**	-	**-**	-
	403,641	406,535	**102,226**	22,684

23. Inventories

	Group	
	2016	2015
	RM'000	RM'000
At cost:		
Consumables	**55,993**	54,068
Distillates	**13,875**	15,674
Raw materials	**144**	-
Tools and equipment	**184**	-
	70,196	69,742
At net realisable value:		
Water pipes	**3,502**	3,735
Water meters	**1,864**	1,518
	5,366	5,253
	75,562	74,995

24. Other current assets

	Group	
	2016	**2015**
	RM'000	**RM'000**
Prepayments	**5,456**	8,892
Due from customers on contracts (Note 25)	**22,773**	15,486
	28,229	24,378

25. Due from/(to) customers on contracts

	Group	
	2016	**2015**
	RM'000	**RM'000**
Contract costs incurred to date	**392,397**	194,438
Recognised profits	**96,423**	38,078
	488,820	232,516
Less: Progress billings	**(471,276)**	(217,138)
Less: Provision for foreseeable losses	**-**	(194)
	17,544	15,184
Presented as:		
Due from customers on contracts (Note 24)	**22,773**	15,486
Due to customers on contracts (Note 33)	**(5,229)**	(302)
	17,544	15,184
Retention sum on contracts		
- included in trade and other receivables (Note 22)	**4,690**	5,118
- included in trade payables (Note 32)	**(9,496)**	(7,180)

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26. Other financial assets

	2016 Carrying amount RM'000	2016 Fair value RM'000	2015 Carrying amount RM'000	2015 Fair value RM'000
Group				
Financial assets at fair value through profit or loss				
Short term investments:				
- Islamic managed funds*	**11,352**	11,352	**13,490**	13,490
- Unit trusts	**-**	-	**3,284**	3,284
- Deposits with other financial institution	**2,823**	2,823	**2,168**	2,168
	14,175	14,175	**18,942**	18,942

* The investments in Islamic managed funds aim to provide the Group with a regular income stream that comply with Shariah requirements while maintaining capital stability.

27. Deposits, cash and bank balances

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash at banks and on hand	**123,416**	164,535	**188**	5,519
Short term deposits with licensed banks	**336,853**	386,337	**-**	24,000
Total deposits, cash and bank balances	**460,269**	550,872	**188**	29,519
Bank overdrafts (Note 30)	**(3,498)**	-	**-**	-
Restricted deposits, cash and bank balances	**(171,685)**	(245,327)	**-**	-
Cash and cash equivalents	**285,086**	305,545	**188**	29,519

27. Deposits, cash and bank balances (cont'd)

The weighted average effective interest rate per annum of deposits that was effective as at reporting date were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Short term deposits with:				
- Licensed banks	**3.21**	3.58	**-**	3.01
- Other financial institution	**-**	3.49	**-**	-

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and 365 days depending on the immediate cash requirements of the Group.

Included in deposits, cash and bank balances of the Group are amount of RM174,635,000 (2015: RM245,327,000), which are restricted pursuant to a financial covenant to maintain certain reserve requirement as part of the repayment schedule of certain borrowings as further disclosed in Note 30.

The currency exposure profile of deposits, cash and bank balances are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**447,398**	550,872	**188**	29,519
Chinese Renminbi	**9,858**	-	**-**	-
Thai Baht	**2,859**	-	**-**	-
US Dollar	**154**	-	**-**	-
	460,269	550,872	**188**	29,519

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28. Retirement benefit obligations

	Group	
	2016	2015
	RM'000	RM'000
Representing:		
Current	**7,065**	7,969
Non-current	**85,808**	83,976
	92,873	91,945

A subsidiary of the Group operates a defined benefit retirement scheme for its eligible employees, which is unfunded. The actuarial valuation of the plan as at 31 December 2016 was updated based on the 31 December 2013 actuarial valuation report.

The movements during the financial year in the amount recognised in the statement of financial position in respect of the Group's retirement benefit plan are as follows:

	Group	
	2016	2015
	RM'000	RM'000
At beginning of financial year	**91,945**	91,626
Charge to profit or loss (Note 10)	**8,853**	8,940
Benefits paid	**(7,925)**	(8,621)
At end of financial year	**92,873**	91,945

The expense recognised in the Group's statement of comprehensive income is analysed as follows:

	Group	
	2016	2015
	RM'000	RM'000
Charge to profit or loss		
Current service costs	**4,323**	4,454
Interest costs	**4,530**	4,486
Total included in staff costs	**8,853**	8,940

The retirement benefits obligations are made for the non-funded benefits plan. The liability is accrued at the present value of the defined benefit obligations using the projected unit method. The principal assumptions used are as follows:

	Group	
	2016	2015
	%	%
Discount rate	**5.0**	5.0
Expected rate of salary increases	**6.0**	6.0

29. Finance lease payables

The Group and the Company have finance leases for certain items of property, plant and equipment (Note 13).

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
- Within one year	**1,779**	1,431	**125**	-
- Between two to five years	**2,479**	2,641	**438**	-
- More than five years	**200**	83	**-**	-
Total minimum lease payments	**4,458**	4,155	**563**	-
Less: Amounts representing finance charges	**(348)**	(310)	**(65)**	-
Present value of minimum lease payments	**4,110**	3,845	**498**	-
Present value of payments:				
- Within one year	**1,632**	1,273	**100**	-
- Between two to five years	**2,316**	2,492	**398**	-
- More than five years	**162**	80	**-**	-
Present value of minimum lease payments	**4,110**	3,845	**498**	-
Less: Amount due within 12 months	**(1,632)**	(1,273)	**(100)**	-
Amount due after 12 months	**2,478**	2,572	**398**	-

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Effective interest rates:				
- Finance lease	**4.34**	3.45	**2.93**	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

30. Borrowings

	Group	
	2016	**2015**
	RM'000	**RM'000**
Current		
Secured:		
Sukuk Musharakah ("Sukuk")	**56,939**	749,044
Islamic Medium Term Notes ("iMTN")	**-**	55,605
Musharakah Medium Term Notes ("mMTN")	**28,885**	28,462
Term loan 2	**109**	-
Term loan 3	**585**	-
Term loan 4	**1,086**	-
Term loan 5	**1,293**	-
Bank overdrafts	**516**	-
	89,413	833,111
Unsecured:		
Bank overdrafts	**2,982**	-
Bankers' acceptances	**1,677**	-
Term loan 1	**378**	-
	5,037	-
Total short term borrowings	**94,450**	833,111
Non-current		
Secured:		
Sukuk Musharakah ("Sukuk")	**539,535**	-
Islamic Medium Term Notes ("iMTN")	**-**	166,091
Musharakah Medium Term Notes ("mMTN")	**593,975**	622,860
Term loan 2	**138**	-
Term loan 3	**1,252**	-
Term loan 4	**5,346**	-
Term loan 5	**4,618**	-
	1,144,864	788,951
Unsecured:		
Convertible unsecured loan stocks ("CULS")	**11,079**	10,911
Total long term borrowings	**1,155,943**	799,862
Total borrowings	**1,250,393**	1,632,973

30. Borrowings (cont'd)

The annual interest rates at the reporting date are as follows:

		Group	
	Repayment Maturity	2016 %	2015 %
Secured			
Sukuk Musharakah ("Sukuk")	2026	**8.10**	8.10
Islamic Medium Term Notes ("iMTN")		**-**	7.28
Musharakah Medium Term Notes ("mMTN")	2029	**6.30**	6.30
Bank overdrafts	On demand	**2.38**	-
Term loan 2	2019	**MRR + 1.0**	-
Term loan 3	2020	**MRR + 1.0**	-
Term loan 4	2024	**MLR**	-
Term loan 5	2022	**MLR + 0.5**	-
Unsecured			
Term loan 1	2017	**MRR + 1.0**	-
Bankers' acceptances	On demand	**3.82**	-
Bank overdrafts	On demand	**8.40**	-
Convertible unsecured loan stock ("CULS")	2019	**15.28**	15.28

The currency exposure profile of loans and borrowings are as follows:

	Group	
	2016 RM'000	2015 RM'000
Ringgit Malaysia	**1,235,071**	1,632,973
Thai Baht	**15,322**	-
	1,250,393	1,632,973

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30. Borrowings (cont'd)

The maturity profile of loans and borrowings are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Maturity of borrowings:		
- Within one year	**94,450**	833,110
- Between one to two years	**115,535**	84,441
- Between two to five years	**326,676**	286,970
- More than five years	**713,732**	428,452
Total borrowings	**1,250,393**	1,632,973

Sukuk Musharakah ("Sukuk")

The Sukuk which was previously issued by a related party, Ranhill Group Sdn. Bhd. ("RGSB") was novated to the Company's wholly-owned subsidiary, Ranhill Capital Sdn. Bhd. ("RCSB") on 10 December 2015, as part of the reverse takeover acquisition of Symphony.

The Sukuk has a tenure of up to 15 years from 2 June 2011 (date of first issuance) and is issued in 2 tranches as follows:

Tranche 1
RM300,000,000 nominal value comprising of 7 series of annual redemption maturing annually from 2 to 8 years. The Yield-to-Maturity ranges from 3.75% to 4.65% per annum, and is repayable semi-annually.

Tranche 2
RM500,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 9 to 14 years. The Yield-to-Maturity ranges from 4.80% to 5.45% per annum, and is repayable semi-annually.

The Sukuk is secured over the followings:

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of the Company, RCSB and certain related parties;

(ii) a legal charge and assignment of all the rights, benefits and interest of RCSB and certain related parties in and to the designated accounts opened by RCSB and the said related parties;

(iii) assignment (by way of security of) on all rights, title and interest of RCSB in and to any dividend income, advances and capital returns from certain of its subsidiaries and from certain related parties and their subsidiaries and related companies;

(iv) a memorandum of deposit in relation to the charge over shares held by the Company in RCSB, and in Ranhill WorleyParsons Sdn. Bhd. ("RWP") (upon exercise of the call option, if any) and held by certain related parties in their subsidiaries and related companies;

(v) personal guarantee from Tan Sri Hamdan Mohamad; and

(vi) irrevocable and unconditional guarantee by the Company and certain related parties.

30. Borrowings (cont'd)

Sukuk Musharakah ("Sukuk") (cont'd)

Major covenants that are required to be complied with are as follows:

(i) RCSB is to maintain a Financial Service Cover Ratio ("FSCR") of not be lower than 2.0 times on a consolidated basis;

(ii) RCSB is to maintain a debt/equity ratio of not more than 1.35 times on a consolidated basis;

(iii) RCSB dividend distribution is not in excess of 90% of current year's profit after tax at the company level;

(iv) RCSB is to maintain a minimum requirement reserve in the Finance Service Reserve Account equivalent to all periodic distributions and guarantee fees which are due and payable within the next 12 months; and

(v) the Group is to comply with a minimum interest cover ratio of 2.0 times on a consolidated basis.

On 29 August 2016, RCSB partially redeemed its outstanding Sukuk with a nominal value of RM100,000,000.

Islamic Medium Term Notes ("iMTN")

On 27 June 2005, Ranhill Powertron Sdn. Bhd. ("RPI"), issued RM540,000,000 nominal value of iMTN to refinance its existing Bridging Loan of RM260,000,000 undertaken for the 120MW Open Cycle and RM280,000,000 nominal value of iMTN to finance the construction of the Conversion Cycle Power Plant. The iMTN was issued under the Shariah principal of Bai' Bithaman Ajil. The repayment of the iMTN is on an annual basis from the 3rd year of the date of issuance. The profit contribution margin ranges from 4.9% to 7.7% per annum and is repayable semi-annually.

The iMTN is secured over the following:

(i) a debenture to create a first ranking fixed and floating charge over all present and future assets of RPI;

(ii) an assignment of all the rights, title, interest and benefit of RPI in and to the Sale and Purchase Agreement dated 31 March 1997 entered into between Kota Kinabalu Industrial Park Sdn. Bhd. ("KKIP") and its subsidiary, in respect of the sale of its long term leasehold land;

(iii) a charge and assignment of all the rights, benefit and interest of RPI in and to the Designated Accounts; and

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30. Borrowings (cont'd)

Islamic Medium Term Notes ("iMTN") (cont'd)

The iMTN is secured over the following: (cont'd)

(iv) assignment (by way of security of) on all rights, interest and benefit of RPI for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms)
- applicable licenses and permits (to the extent that the licenses and permits are assignable and no further consents are required to be obtained for such assignment)
- applicable insurance policies
- performance bonds/guarantees

The major covenants that are required to be complied by RPI are as follows:

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.75 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 2.25 times is required for declaration of dividend and thereafter a minimum of 2.0 times is required to be maintained;

(iii) to maintain a minimum requirement reserve in FSRA and a Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(iv) cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

The iMTN is on non-recourse basis to its immediate holding company.

On 30 March 2016, RPI fully redeemed its outstanding iMTN with a nominal value of RM220,000,000.

On 17 June 2011, Ranhill Powertron II Sdn. Bhd. ("RPII"), issued RM710,000,000 nominal value Medium Term Notes ("mMTN") under the Syariah principal of Musharakah. The mMTN was issued for the following purposes:

(a) RM610,000,000 to refinance the existing outstanding loans under the Commodity Murabahah Term Financing-i and Conventional Syndicated Term Loan. The remaining balance after full settlement of the outstanding loans, was used to finance the construction of the power plant in RPII and to fund the Finance Service Reserve Account ("FSRA") as required by the mMTN;

(b) RM90,000,000 as advances to the shareholders of RPII; and

(c) the remaining balance was used to finance all costs and expenses incurred in relation to the mMTN Programme exercise (including the initial guarantee fees) and for working capital requirements.

30. Borrowings (cont'd)

Musharakah Medium Term Notes ("mMTN")

The mMTN has a tenure of up to 18 years from the date of first issuance and is issued in 2 tranches as follows:

Tranche 1
RM360,000,000 nominal value comprising of 10 series of annual redemption maturing annually from 2 to 11 years. The Yield-to-Maturity ranges from 4.1% to 5.7% per annum, and is repayable semi-annually.

Tranche 2
RM350,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 12 to 18 years. The Yield-to-Maturity ranges from 5.15% to 5.70% per annum, and is repayable semi-annually.

The mMTN is secured over the followings:

Tranche 1
(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RPII;

(ii) first assignment and charge of all the Lease Agreement and the lease on the Project land and building excluding switchyard areas and parts which are to be transferred to Sabah Energy Sdn. Bhd. pursuant to the Lease Agreement;

(iii) a charge and assignment of all the rights, benefit and interest of RPII in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RPII for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms).
- applicable licenses and permits (to the extent that the licenses and permits are assignable and no further consents are required to be obtained for such assignment).
- applicable insurance/takaful policies.
- performance bonds and guarantees issued in favour of RPII.
- Any other security as may be advised by the solicitors to the JLAs ("Legal Counsel") and agreed with the Issuer.

Tranche 2
The securities will be shared on pari passu basis with the Guarantor in Tranche 1 via the security sharing arrangement in respect of the payment obligation by RPII of the nominal value of each series of the Tranche 2.

The major covenants that are required to be complied by RPII are as follows:

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.25 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 1.75 times is required for the declaration of dividend and thereafter a minimum of 1.5 times is required to be maintained;

(iii) to maintain a minimum requirement reserve in FSRA and Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

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30. Borrowings (cont'd)

Musharakah Medium Term Notes ("mMTN") (cont'd)

Tranche 2 (cont'd)

(iv) cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

Convertible unsecured loan stocks ("CULS")

The salient features of the CULS issued are as follows:

(a) Maturity date is 10 years from issuance of the CULS in June 1998 based on Subscription Agreement dated 30 April 1997. However, based on the revised Agreement dated May 2009, the CULS has been extended for another 10 years up to 30 June 2019 with other terms and conditions remain unchanged;

(b) Interest is accrued at the rate of 12.5% per annum and is payable in cash on each anniversary date of the CULS but is subject to lenders' requirement and at the discretion of RPI. CULS converted before anniversary date will not be entitled to the annual interest;

(c) Conversion in part or in whole is allowed before maturity date, subject to adherence to RPI's existing shareholding proportions and the shareholding restrictions. All converted shares will rank pari passu but will not be entitled to dividends declared for the financial year preceding the year of conversion; and

(d) On maturity date, the CULS, if not earlier converted, will be redeemed for its full principal amount together with all unpaid accrued interest.

The equity component of the CULS attributable to owners of the parent as at 31 December 2016 is RM1,063,000 (2015: RM1,063,000).

Term loan 1

The term loan is repayable within one year to withdrawal of corporate guarantee and bears interest at minimum retail rate ("MRR") plus 1.0% per annum. The repayment period is 2017.

Term loan 2

The term loan is secured by machinery of a wholly-owned subsidiary of the Company, Ranhill Water Technologies (Thai) Ltd., and an assignment of proceeds from its customer. It is repayable within 93 months since the first withdrawal date and bear interest at minimum retail rate ("MRR") plus 1.0% per annum. The repayment period is from 2012 to 2019.

Term loan 3

The term loan is secured by machinery owned by AnuRAK Water Treatment Facilities Co. Ltd., rights over the receivables from its customer and a corporate guarantee by the parent company, Ranhill Water Technologies Sdn. Bhd., and a related company, Ranhill Water Technologies (Thai) Ltd.. It is repayable in 84 instalments and bear interest at minimum retail rate ("MRR") plus 1.0% per annum. The repayment period is from 2013 to 2020.

30. Borrowings (cont'd)

Term loan 4

The term loan is secured by machinery owned by AnuRAK Water Treatment Facilities Co. Ltd., rights over the receivables from its customer and a corporate guarantee by the parent company, Ranhill Water Technologies Sdn. Bhd., and a related company, Ranhill Water Technologies (Thai) Ltd.. It is repayable in 108 instalments including grace period of 12 months as from the first drawndown date of the loan facility and bear interest at mortgage lending rate ("MLR"). The repayment period is from 2014 to 2024.

Term loan 5

The term loan is secured by machinery owned by AnuRAK Water Treatment Facilities Co. Ltd., right over the receivables from its customer and a corporate guarantee by the parent company, Ranhill Water Technologies Sdn. Bhd. and a related company, Ranhill Water Technologies (Thai) Ltd.. It is repayable in 88 instalments including grace period of 4 months as from the first drawndown date of the loan facility and bear interest at mortgage lending rate ("MLR") plus 0.5% per annum. The repayment period is from 2014 to 2022.

Bank overdrafts

The bank overdrafts bear interest ranging from 2.38% to 8.40% per annum (2015: nil) and are held on call by the licensed banks. The bank overdrafts secured by right over bank saving account held by Ranhill Water Technologies (Thai) Ltd., Ranhill Water Technologies Sdn. Bhd.'s fixed deposit, guarantee provided by Ranhill Water Technologies (Thai) Ltd.'s director and corporate guarantee provided by a related party, Ranhill Utilities Sdn. Bhd..

Bankers' acceptance

Bankers' acceptances are denominated in RM with weighted average effective interest rate of 3.82% per annum (2015: nil). The bankers' acceptance secured by a corporate guarantee facility provided by a related party, Ranhill Utilities Sdn. Bhd., and Ranhill Water Technologies Sdn. Bhd.'s fixed deposit.

31. Zakat liability

	Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of financial year	**8,942**	7,942
Charged to profit or loss	**5,212**	1,619
Zakat paid	**(5,455)**	(619)
At end of financial year	**8,699**	8,942

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32. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade payables				
Third parties (Note a)	**160,358**	169,615	**-**	-
Amount due to PAAB (Note d)	**83,949**	130,592	**-**	-
Amounts due to related parties (Note b)	**1,217**	1,376	**-**	-
Retention sum on contracts (Note 25) (Note c)	**3,209**	2,488	**-**	-
	248,733	304,071	**-**	-
Non-trade payables				
Other payables	**116,020**	132,334	**1,462**	7,923
Dividend payable	**44,016**	-	**17,766**	-
Retention sum on contracts (Note 25) (Note c)	**5,721**	3,781	**-**	-
Amounts due to related parties (Note b)	**2,476**	21,152	**-**	1,505
Amounts due to subsidiaries (Note b)	**-**	-	**2,391**	-
Amount due to a joint venture (Note b)	**-**	68,407	**-**	3,352
	168,233	225,674	**21,619**	12,780
Total current payables	**416,966**	529,745	**21,619**	12,780
Non-Current				
Trade payables				
Amount due to PAAB (Note d)	**82,283**	-	**-**	-
Retention sum on contracts (Note 25) (Note c)	**566**	911	**-**	-
	82,849	911	**-**	-
Non-trade payables				
Other payables	**3,674**	3,446	**-**	-
Total non-current payables	**86,523**	4,357	**-**	-
Total trade and other payables	**503,489**	534,102	**21,619**	12,780
Add: Finance lease liabilities (Note 29)	**4,110**	3,845	**498**	-
Add: Borrowings (Note 30)	**1,250,393**	1,632,973	**-**	-
Add: Service concession obligations (Note 34)	**333,401**	711,235	**-**	-
Total financial liabilities carried at amortised cost	**2,091,393**	2,882,155	**22,117**	12,780

32. Trade and other payables (cont'd)

(a) Trade payables - current

Credit terms of trade payables granted to the Group vary from 30 to 365 days (2015: 30 to 365 days).

(b) Amounts due to related parties and subsidiaries

Amounts due to related parties and subsidiaries are unsecured, interest free and repayable on demand.

(c) Retention sums payables

Retention sums on contracts are payable upon the expiry of the defects liability period of the construction contract. Retention sums are unsecured, interest-free and are expected to be paid within 1 to 2 years.

(d) Amount due to PAAB

Amount due to PAAB represents lease rental payable to PAAB for operating period 2 ("OP2") which is trade in nature, unsecured, bears an effective interest rate of 4.45% per annum and is repayable over 3 years.

The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**488,805**	534,102	**21,619**	12,780
Chinese Renminbi	**11,286**	-	**-**	-
US Dollar	**1,519**	-	**-**	-
Thai Baht	**1,014**	-	**-**	-
Others	**865**	-	**-**	-
	503,489	534,102	**21,619**	12,780

33. Other current liability

	Group	
	2016 RM'000	2015 RM'000
Due to customers on contracts (Note 25)	**5,229**	302

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34. Service concession obligations

	Group	
	2016	**2015**
	RM'000	**RM'000**
Minimum lease payments:		
- Within one year	**341,280**	412,528
- Between two to five years	**-**	328,074
Total minimum lease payments	**341,280**	740,602
Less: Future finance charges	**(7,879)**	(29,367)
Present value of minimum lease payments	**333,401**	711,235
Present value of payments:		
- Within one year	**333,401**	390,962
- Between two to five years	**-**	320,273
Present value of minimum lease payments	**333,401**	711,235
Less: Amount due within 12 months	**(333,401)**	(390,962)
Amount due after 12 months	**-**	320,273

Service concession obligations are in respect of the lease rental payable in accordance with the Facility Agreement entered into with PAAB for the right to use, occupy and operate the water related assets belonging to PAAB.

The weighted average effective interest rates per annum for the lease rental payable as at reporting date is 4.45% (2015: 4.45%).

35. Consumer deposits

Consumer deposits include deposits assumed from Syarikat Air Johor Sdn. Bhd. ("SAJSB"), the former water operator pursuant to the Concession Agreement amounting to RM70,407,920 (2015: RM70,407,920) as disclosed in Note 22.

These amounts would be repaid by SAJSB, the previous water operator, in the event that the consumer deposits fall below the value of the long term refundable deposits.

36. Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Group and Company				
Authorised				
At 1 January	**2,000,000**	400	**2,000,000**	400
Created during the year (Note a)	**-**	1,999,600	**-**	1,999,600
At 31 December	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Issued and fully paid up				
At 1 January	**565,995**	#	**565,995**	##
Issued during the year (Note b):				
- Acquisition of subsidiaries	**-**	555,120	**-**	555,120
- Settlement of debts	**-**	10,875	**-**	10,875
- Public offering (Note c)	**322,321**	-	**322,321**	-
At 31 December	**888,316**	565,995	**888,316**	565,995

Represents 2 ordinary shares.

Represents RM2.

(a) On 11 December 2015, the Company increased its authorised share capital from 400,000 ordinary shares of RM1.00 each to 2,000,000,000 ordinary shares of RM1.00 each by the creation of 1,999,600,000 new ordinary shares of RM1.00 each.

(b) In the prior financial year, the Company increased its issued and paid-up ordinary share capital from RM2 to RM565,994,967 by way of issuance of 565,994,965 ordinary shares of RM1.00 each at an issue price of RM1.60 per share as part of the consideration for the reverse takeover acquisition of Symphony House Berhad.

(c) On 16 March 2016, the Company completed a public offering for 322,320,800 new ordinary shares of RM1.00 each at an institutional and final retail price of RM1.20 per share. The public offering resulted increase in the issued and paid-up share capital of the Company from RM565,994,967 comprising 565,994,967 ordinary shares of RM1.00 each to RM888,315,767 comprising 888,315,767 ordinary shares of RM1.00 each.

The new ordinary shares issued during the financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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37. Share premium

	Group/Company	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	**339,597**	-
Issuance of shares for acquisition of Symphony (Note a)	**-**	339,597
Issuance of shares for public offering (Note b)	**64,464**	-
Share issuance expense	**(17,058)**	-
	387,003	339,597

(a) Premium paid on the issuance of 565,994,965 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share as part of the consideration for the reverse takeover acquisition of Symphony House Berhad in prior year.

(b) Premium paid on the issuance of 322,320,800 new ordinary shares of RM1.00 each at an issue price of RM1.20 per share as part of the public offering.

38. Other reserves

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Merger deficit (Note a)	**(906,015)**	(906,015)	**-**	-
Currency translation reserve (Note b)	**23,654**	25,809	**-**	-
Equity component of convertible unsecured loan stocks ("CULS") (Note c)	**1,063**	1,063	**-**	-
Retained earnings (Note d)	**184,783**	146,419	**554**	(66,169)
	(696,515)	(732,724)	**554**	(66,169)

(a) Merger deficit

This represents the difference between the consideration transferred and the equity acquired arising from the completion of the reverse takeover acquisition of Symphony House Berhad on 15 December 2015.

(b) Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Equity component of convertible unsecured loan stocks ("CULS")

This represents the residual amount of convertible unsecured loan stocks ("CULS") after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from CULS.

(d) Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 under the single tier system.

39. Dividends

Recognised during the financial year:

			Amount of dividend, net of tax	
	2016	**2015**	**2016**	**2015**
	sen	**sen**	**RM'000**	**RM'000**
Group				
- Interim dividend on 888,315,767 ordinary shares	**1.80**	-	**15,990**	-
- Interim dividend on 888,315,767 ordinary shares	**2.00**	-	**17,766**	-
- Interim dividend on 100,000,000 ordinary shares	**131.25**	82.88	**26,250**	82,875
- Interim dividend on 10,000,000 ordinary shares	**-**	12.00	**-**	12,000
- Interim dividend on 10,000,000 ordinary shares	**980.00**	31.00	**39,200**	31,000
- Interim dividend on 500,000 ordinary shares	**1,000**	-	**2,000**	-
- Interim dividend on 500,000 ordinary shares	**600**	-	**600**	-
- Interim dividend on 750,000 ordinary shares	**-**	3,554.67	**-**	26,660
- Interim dividend on 250,000 ordinary shares	**80.00**	-	**200**	-
			102,006	152,535

Dividends paid by the Company during financial year are as follows:

			Amount of dividend, net of tax	
	2016	**2015**	**2016**	**2015**
	sen	**sen**	**RM'000**	**RM'000**
Company				
- Interim dividend on 888,315,767 ordinary shares	**1.80**	-	**15,990**	-
- Interim dividend on 888,315,767 ordinary shares	**2.00**	-	**17,766**	-
			33,756	-

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For the financial year ended 31 December 2016

40. Significant related parties disclosures

In addition to related parties disclosures mentioned elsewhere in the financial statements, set out below are other significant related parties transactions.

(a) Transactions with related parties

The related parties and their relationship with the Group are as follows:

Related parties	**Relationship**
Ranhill Energy and Resources Sdn Bhd	Director's related corporation.
Ranhill Group Sdn Bhd	A wholly owned subsidiary of Ranhill Energy and Resources Sdn Bhd
Sabah Energy Corporation Sdn Bhd	Corporate shareholder of partially owned subsidiaries
Ranhill Utilities Sdn Bhd	A wholly owned subsidiary of Ranhill Group Sdn Bhd
RB Ventures Sdn Bhd	A wholly owned subsidiary of Ranhill Group Sdn Bhd
Ranhill Water (Hong Kong) Ltd.	An associate of Ranhill Water Technologies (Cayman) Ltd.
Ranhill (Chongren) Water Co. Ltd.	An associate of Ranhill Water Technologies (Cayman) Ltd.
Ranhill (Yongxin) Water Co. Ltd.	An associate of Ranhill Water Technologies (Cayman) Ltd.
Ranhill Global System Sdn Bhd	Director's related corporation.

Tan Sri Hamdan Mohamad, who is a director and a substantial shareholder of Ranhill Holdings Berhad, is also a substantial shareholder and a director of Ranhill Energy and Resources Sdn Bhd.

	Group	
	2016	**2015**
	RM'000	**RM'000**
(i) Work performed on infrastructure assets and consultancy fees charged to/(by):		
- Ranhill (Chongren) Water Co. Ltd.	**730**	-
- Ranhill (Yongxin) Water Co. Ltd.	**1,895**	-
- Ranhill Water Technologies Sdn Bhd	**-**	(141)
(ii) Rental of office charged to/(by):		
- RB Ventures Sdn Bhd	**-**	(256)
- Ranhill Utilities Sdn Bhd	**-**	429
- Ranhill Water Technologies Sdn Bhd	**-**	89
(iii) Management services rendered from:		
- Ranhill Group Sdn Bhd	**(1,380)**	(1,458)
- Ranhill Utilities Sdn Bhd	**-**	(8,935)
- Ranhill Global Systems Sdn Bhd	**(256)**	-

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For the financial year ended 31 December 2016

40. Significant related party disclosures (cont'd)

(a) Transactions with related parties (cont'd)

	Group	
	2016	**2015**
	RM'000	**RM'000**
(iv) Borrowings and interest payable to:		
- Sabah Energy Corporation Sdn Bhd	**(1,450)**	(1,450)
- Ranhill Group Sdn Bhd	**-**	(1,994)
(v) Sharing of administrative expenses		
- Ranhill Water (Hong Kong) Ltd.	**(173)**	-

(b) Key management compensation

The remunerations of the key management personnel who are the directors, Chief Operating Officer, Chief Financial Officer and selected Senior Vice President, Vice President of the Group during the year are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits	**13,799**	11,861	**3,531**	888
Contributions to defined contribution plan	**1,639**	1,522	**286**	95
Fees and other emoluments	**2,977**	902	**2,371**	58
	18,415	14,285	**6,188**	1,041

41. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Approved and contracted for	**1,403**	330
Approved but not contracted for	**2,217**	2,216
	3,620	2,546
Analysed as follows:		
Plant and machineries	**2,217**	2,216

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For the financial year ended 31 December 2016

41. Commitments (cont'd)

(b) Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Non-cancellable rental commitments		
Future minimum rentals payable:		
- Within one year	**3,722**	3,680
- Between one and five years	**524**	3,314
	4,246	6,994

(c) Finance lease commitments - as lessee

The Group has finance leases for certain items of plant and equipment as disclosed in Note 13 to the financial statements.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 29.

(d) Finance lease commitments - as lessor

The Group has a finance lease for a power station of which the future minimum lease receivables together with the present value of the net minimum lease receivables are disclosed in Note 16.

42. Fair value of financial instruments

A. Financial instruments that are measured at fair value

The Group uses the following hierarchy for determining the fair values of all financial instruments carried at fair value:

Level 1
Quoted market prices in an active market.

Level 2
Valuation inputs (other than Level 1 input) that are based on observable market data for the asset or liability, whether directly or indirectly.

Level 3
Valuation inputs that are not based on observable market data.

42. Fair value of financial instruments (cont'd)

A. Financial instruments that are measured at fair value (cont'd)

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2016				
Financial assets				
- Islamic Managed Funds	**-**	**11,352**	**-**	**11,352**
- Deposits with other financial instituition	**-**	**2,823**	**-**	**2,823**
	-	**14,175**	**-**	**14,175**
31 December 2015				
Financial assets				
- Islamic Managed Funds	-	13,490	-	13,490
- Deposits with other financial instituition	-	2,168	-	2,168
- Unit trusts	-	3,284	-	3,284
	-	18,942	-	18,942

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Carrying amount RM'000	Fair value RM'000
Group			
31 December 2016			
Non-current			
Financial asset			
Finance lease receivable	16	**552,580**	**531,245**
Financial liabilities			
Sukuk Musharakah ("Sukuk")	30	**539,535**	**412,670**
Musharakah Medium Term Notes ("mMTN")	30	**593,975**	**399,878**

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For the financial year ended 31 December 2016

42. Fair value of financial instruments (cont'd)

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)

	Note	Carrying amount RM'000	Fair value RM'000
Group (cont'd)			
31 December 2015			
Non-current			
Financial asset			
Finance lease receivable	16	593,618	570,620
Financial liabilities			
Islamic Medium Term Notes ("iMTN")	30	166,091	148,204
Musharakah Medium Term Notes ("mMTN")	30	622,860	404,390
Sukuk Musharakah ("Sukuk")	30	749,044	634,711

C. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of trade and other receivables, trade and other payables, and cash and bank balances are reasonable approximation of fair values, either due to their short-term nature or repayable on demand term.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of non-current term loans are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

43. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Group reviews and agrees policies and procedures for the management of these risks to minimise the potential adverse effects of these risks on the financial performance of the Group.

It is, and has been throughout the current financial year and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments. The Group does not apply hedge accounting.

43. Financial risk management objectives and policies (cont'd)

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk
At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

Credit risk concentration profile
The Group determines concentrations of credit risk by monitoring the country profile of its trade and other receivables on an ongoing basis. The credit risk concentration profile of the Group's trade and other receivables at the reporting date are as follows:

	Group	
	RM'000	% of total
31 December 2016		
Malaysia	**372,301**	**92%**
China	**26,608**	**7%**
Thailand	**2,936**	**1%**
Cayman Island	**1,793**	**<1%**
Hong Kong	**3**	**<1%**
	403,641	**100%**
31 December 2015		
Malaysia	275,932	68%
Cayman Island	130,603	32%
	406,535	100%

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

43. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

At the reporting date, approximately:

- 34% (2015: 26%) of the Group's trade receivables were due from electricity revenue customers.
- 66% (2015: 74%) of the Group's trade receivables were due from water revenue customers.
- 12% (2015: 40%) of the Group's trade and other receivables were due from related parties and an associate.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on the contractual undiscounted repayment obligations.

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2016				
Group				
Trade and other payables	**416,966**	**72,362**	**16,949**	**-**
Finance lease payables	**1,779**	**1,587**	**892**	**200**
Borrowings	**93,452**	**118,305**	**331,893**	**720,157**
Total undiscounted financial liabilities	**512,197**	**192,254**	**349,734**	**720,357**

43. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

<u>Analysis of financial instruments by remaining contractual maturities (cont'd)</u>

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on the contractual undiscounted repayment obligations. (cont'd)

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2016				
Company				
Trade and other payables, representing total undiscounted financial liabilities	**21,619**	**-**	**-**	**-**
At 31 December 2015				
Group				
Trade and other payables	529,745	911	4,000	-
Finance lease payables	1,431	1,353	1,288	83
Borrowings	845,000	85,000	289,000	440,000
Total undiscounted financial liabilities	1,376,176	87,264	294,288	440,083
Company				
Trade and other payables, representing total undiscounted financial liabilities	12,780	-	-	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate instruments with regards to these loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

43. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

The Group has no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

Sensitivity analysis for interest rate risk
At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM362,000 (2015: RM354,000) higher/lower, arising mainly as a result of higher/lower interest income from floating rate deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollars ("USD").

Approximately 1% (2015: nil) if the Group's sales are denominated in foreign currencies whilst almost 4% (2015: 2%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payable balances at the reporting date have similiar exposure.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The currency exposure profile of cash and cash equivalents are disclosed in Note 27.

Sensitivity analysis for foreign currency risk
The following table demonstrate the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, RMB, THB and HKD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2016 RM'000 Profit net of tax	2015 RM'000 Profit net of tax
USD/RM	- strengthened 3%	(688)	-
	- weakened 3%	688	-
RMB/RM	- strengthened 3%	40	-
	- weakened 3%	(40)	-
THB/RM	- strengthened 3%	(2)	-
	- weakened 3%	2	-
HKD/RM	- strengthened 3%	278	-
	- weakened 3%	(278)	-

44. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. At the same time, the Group continues to ensure the various requirements and covenants arising from the borrowings as disclosed in Note 30 are complied with.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives and policies during the year ended 31 December 2016 and 2015.

45. Earnings per share

The basic earnings per ordinary share for the financial year has been calculated based on the net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares in issue (2015: Number of enlarged ordinary shares).

The Company has no potential ordinary shares and therefore, diluted earnings per share is the same as basic earnings per share. The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
Net profit attributable to ordinary shares (RM'000)	**72,120**	22,345
Weighted average number of ordinary shares in issue ('000)	**822,266**	-
Number of enlarged ordinary shares ('000)	**-**	565,995
Basic/diluted earnings per ordinary share (cents)	**9**	4

46. Contingent liability

Legal notice

On 20 March 2017, a wholly owned subsidiary of the Company, Ranhill Water Technologies Sdn Bhd ("RWTSB") received a legal notice from WRP Asia Pacific Sdn Bhd ("WRP"), demanding RWTSB to commence and complete the design and construction of a water treatment plant, intake plant and pipeline ("Project") in accordance with the purchase order agreed between the two parties failing which, WRP will proceed to terminate the Project and claim for damages which include additional costs to complete the Project, operational loss, wasted expenditure, loss of profits and other consequential loss.

RWTSB has disputed the claim from WRP stating that the commencement of the Project is subject to the approval by the relevant authority which has not been secured by WRP. Accordingly, RWT has no obligation and responsibility to commence the Project.

The Company has been advised by its legal counsel that the Company has complete defence as the claim by WRP is without merit. Accordingly, no provision for any liability has been made in the financial statements.

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47. Significant events

(i) On 16 March 2016, the Company completed a public offering for 322,320,800 new ordinary shares of RM1.00 each and an offer for sale of 100,000,000 existing ordinary shares of RM1.00 each at an institutional and final retail price of RM1.20 per share.

The issued and paid-up share capital of the Company of RM888,315,767 comprising 888,315,767 ordinary shares of RM1.00 each was listed on the Main Market of Bursa Securities on 16 March 2016.

(ii) On 30 March 2016, Ranhill Powertron Sdn. Bhd. ("RPI") fully redeemed its outstanding Islamic Medium Term Note ("iMTN") with a nominal value of RM220,000,000.

(iii) On 26 April 2016, a joint venture of the Group's subsidiary, Pinang Water Ltd. entered into a contract with YinLong Water Affairs Investment Limited to dispose 100% equity interest in YiChun Pinang Water Co. Ltd. for a consideration of approximately RM33,247,000 (RMB55,000,000). The share transfer was completed in August 2016.

(iv) On 20 May 2016, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. ("RCSB") completed the acquisition of the remaining 47.9% equity interest in Ranhill Water Technologies (Cayman) Ltd. ("RWTC") and its subsidiaries for a cash consideration of RM116,386,000 (USD29,009,000). Following the transaction, RWTC became a subsidiary of the Group. Details of the acquisition are disclosed in Note 18(a).

(v) On 29 August 2016, RCSB partially redeemed its outstanding Sukuk Musharakah ("Sukuk") with a nominal value of RM100,000,000.

(vi) On 12 December 2016, RWTC entered into an agreement with SIIC Environment Holdings Ltd.'s indirectly wholly-owned subsidiary, Asia Wisdom Investments Ltd. to dispose 60% equity interest in Ranhill Water (Hong Kong) Limited ("RWHK") and its subsidiaries for an aggregate consideration of approximately RM175,597,000 (RMB273,900,000). Details of the disposal are disclosed in Note 18(b).

48. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has reportable segment as follows:

(i) The environment sector provides water supply services, operate water and wastewater treatment plants and provide specialised services in the management and optimisation of water utility assets. In this sector, the Group has been granted exclusive license (on a 3-year term, renewable for successive 3-year terms on a rollover basis) by the Minister of Energy, Green Technology and Water, Malaysia to provide source-to-tap water supply services to end customers in the entire state of Johor, Malaysia. In addition, the Group also has various water and wasterwater concessions in relation to water treatment and wastewater treatment plants outside Malaysia.

(ii) In the power sector, the Group owns and operate two 190MV combined cycle gas turbine power plants in Sabah, Malaysia on a build-operate-own ("BOO") and build-operated-transfer ("BOT") basis respectively. The Group has entered into Power Purchase Agreements with Sabah Electricity Sdn. Bhd., a subsidiary of Tenaga Nasional Berhad, to sell up to 380 MV of electricity generating capacity and electricity production for a 21-year period.

(iii) The other segment consist of investment holding and provision of management services to subsidiaries within the Group.

48. Segmental information (cont'd)

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Environment RM'000	Power RM'000	Others RM'000	Note	Total RM'000
31 December 2016					
Revenue:					
Sales to external customers	**1,136,617**	**318,437**	**222,196**		**1,677,250**
Inter-segment elimination	**-**	**-**	**(222,196)**		**(222,196)**
	1,136,617	**318,437**	**-**		**1,455,054**
Results:					
Gross profit	**328,376**	**90,211**	**-**		**418,587**
Interest income	**26,494**	**52,549**	**4,444**		**83,487**
Depreciation	**27,539**	**20,204**	**123**		**47,866**
Amortisation	**302,555**	**-**	**-**		**302,555**
Share of profit of a joint venture	**8,353**	**-**	**-**		**8,353**
Share of results of an associate	**(375)**	**-**	**-**		**(375)**
Other non-cash items	**(30,412)**	**(46,086)**	**2,256**	A	**(74,242)**
Segment profit/(loss)	**172,637**	**36,558**	**(95,232)**		**113,963**
Assets:					
Additions to non-current assets	**43,670**	**1,500**	**848**	B	**46,018**
Segment assets	**1,732,798**	**1,360,548**	**113,252**		**3,206,598**
Segment liabilities	**1,077,100**	**744,829**	**622,619**		**2,444,548**
31 December 2015					
Revenue:					
Sales to external customers	1,011,182	303,467	1,099		1,315,748
Inter-segment elimination	-	-	(627)		(627)
	1,011,182	303,467	472		1,315,121

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48. Segmental information (cont'd)

Business Segments (cont'd)

	Environment RM'000	Power RM'000	Others RM'000	Note	Total RM'000
31 December 2015 (cont'd)					
Results:					
Gross profit/(loss)	260,262	88,138	(413)		347,987
Interest income	4,998	56,880	26		61,904
Depreciation	25,531	20,410	2		45,943
Amortisation	302,392	-	-		302,392
Share of profit of a joint venture	16,474	-	-		16,474
Other non-cash items	37,564	(48,830)	45,592	A	34,326
Segment profit/(loss)	94,213	33,269	(76,187)		51,295
Assets:					
Additions to non-current assets	941,269	738	120	B	942,127
Segment assets	1,858,483	1,539,680	195,353		3,593,516
Segment liabilities	1,386,405	991,377	831,450		3,209,232

A. Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	Note	2016 RM'000	2015 RM'000
Finance lease income	6	**(46,086)**	(48,830)
Finance income from operating financial assets	6	**(13,702)**	-
Unwinding of interest from deferred payment arrangement	6	**(7,643)**	-
Income arising from acquisition of RWTC:			
- Negative goodwill	6	**(21,910)**	-
- Gain on deemed disposal	6	**(16,881)**	-
Loss on disposal of a subsidiary	6	**1,828**	45,592
Unwinding of interest of service concession obligations	8	**21,864**	34,442
Allowance for doubtful debts	9	**4,241**	2,083
Remeasurement loss on disposal of a subsidiary	9	**1,082**	-
Provision for liquidated ascertained damages	9	**2,965**	1,039
		(74,242)	34,326

48. Segmental information (cont'd)

Business Segments (cont'd)

B. Additions to material non-current assets consist of:

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	13	**45,956**	41,976
Service concession assets	14	**26**	900,093
Intangibles - softwares	15	**36**	58
		46,018	942,127

49. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 and 31 December 2015 into realised profits and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	**271,075**	145,491	**554**	(66,169)
- Unrealised	**130,370**	170,035	**-**	-
	401,445	315,526	**554**	(66,169)
Total share of retained earnings of the joint venture				
- Realised	**6,843**	71,590	**-**	-
- Unrealised	**(92)**	(1,194)	**-**	-
	6,751	70,396	**-**	-
Total retained earnings of the associate				
- Realised	**9**	**-**	-	-
- Unrealised	**(384)**	**-**	-	-
	(375)	**-**	-	-
Less: Consolidation adjustments	**(223,038)**	(239,503)	**-**	-
Total retained earnings	**184,783**	146,419	**554**	(66,169)

PROPERTIES OWNED BY OUR GROUP

As at 31 December 2016

The details of lands and buidings owned by us as the LPD are set our below:

No.	Name of Registered owner/ Beneficial owner/ Location/Tenure	Description of property/Existing use	Date of approval of CCC	Built-up area/Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 (RM'000)
1	RPI (Country Lease: 015605213) No. 3, Lorong AD KKIP Selatan, Industrial Zone 3 (IZ3), Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah, Malaysia Leasehold from 1 January 2003 to 31 December 2101	Description of Property Industrial land comprising a power plant (including gas turbines, steam turbines, air cooled condensers, an administration/ warehouse/ workshop building, a water treatment plant, a water tank, a fuel/oil tank, a PETRONAS gas metering station and a gas conditioning skid). Existing use The land is currently being used by RPI for its power plant.	08-Jul-10	64,750 square metres/ 73,369 square metres	(i) The land is only for the purpose of erecting thereon for use as such plant for generating electricity. (ii) Subdivision of the title is prohibited without a written permission from the Director of Land and Survey Department. (iii) Transfer, sublease and charge of the title is prohibited without a written permission from the Director of Land and Survey Department.	The property has been charged to Malaysian Trustee Berhad as security for the IMTN issued by RPI	13,193

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

Disclosure an Extraordinary General Meeting held on 1 June 2016, the Company obtained a Shareholders' Ratification and Shareholders' Mandate for recurrent related party transactions ("RRPTs") of a revenue or trading nature.

In compliance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), such Shareholders Ratification and Shareholders' Mandate are subject to annual renewal and the disclosure in the Annual report of RRPTs conducted pursuant to the mandate during the financial year ended 31 December 2016 where the aggregate value of such RRPTs is equal to or more than RM1 million or 1% of the relevant percentage ratio for such transactions, whichever is the higher.

Set out below are the relevant RRPTs for which Shareholders' Ratification and Shareholders' Mandate have been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders' Ratification and Shareholders' Mandate and had meet the prescribe threshold.

A. Transactions entered/to be entered between Ranhill Power O&M Sdn Bhd and the following parties:

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
Ranhill Powertron Sdn Bhd	Provision of operating & maintenance services by Ranhill Power O&M Sdn Bhd to Ranhill Powertron Sdn Bhd in respect of Ranhill Powertron Sdn Bhd power plant	TSHM CHEVAL LOSB HF HI SECSB	14,087

B. Transactions entered/to be entered between Ranhill Power II O&M Sdn Bhd and the following parties:

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
Ranhill Powertron II Sdn Bhd	Provision of operating & maintenance services by Ranhill Power II O&M Sdn Bhd to Ranhill Powertron II Sdn Bhd in respect of Ranhill Powertron II Sdn Bhd power plant	TSHM CHEVAL LOSB HF HI SECSB	15,587

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS (CONT'D)

C. Transactions entered/to be entered between Ranhill Water Services Sdn Bhd and the following parties:

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
SAJ Ranhill Sdn Bhd	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by SAJ Ranhill Sdn Bhd to Ranhill Water Services Sdn Bhd	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	46,097
Premier Water Services Sdn Bhd	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by Ranhill Water Services Sdn Bhd to Premier Water Services Sdn Bhd	TSHM CHEVAL LOSB HF HI	3,691
Total			**49,788**
Grand Total			**79,462**

Notes:

1. The definition shall have the following meanings:

"TSHM" Tan Sri Hamdan Mohamad.

TSHM is our Director and Major Shareholder as well as a director and major shareholder of LOSB through his interest in HI. He is the sole beneficiary of the HF which owns the entire equity interest in HI.

"CHEVAL" Cheval Infrastructure Fund L.P. acting via its general partner, TAEL Management Co. (Cayman) Ltd).

Cheval is a Major Shareholder of the Company, as well as major shareholder of Ranhill Energy and Resources Sdn Bhd ("RERSB"). Cheval is also deemed to have an interest in Ranhill Group Sdn Bhd ("RGSB") through its interest in RERSB.

"LOSB" Lambang Optima Sdn Bhd (351679-A), a company related to TSHM and a Major Shareholder of Ranhill.

LOSB is a Major Shareholder of the Company, as well as major shareholder of RERSB and is deemed to have interests in Ranhill Global Systems Sdn Bhd through its interest in Ranhill Berhad. LOSB is also deemed to have an interest in RGSB through its interest in RERSB.

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS (CONT'D)

"HF"	Hamdan (L) Foundation, a foundation established in the Federal Territory of Labuan, Malaysia by TSHM under the Labuan Foundations Act 2010 (FSA00157). HF is a Major Shareholder of the Company, as well as major shareholder of RERSB. HF is also deemed to have an interest in RGSB through its interest in RERSB.
"HI"	Hamdan Inc. (Labuan) Pte. Ltd, an investment holding company incorporated under the Labuan Companies Act, 1990 (LL11917). HI is a Major Shareholder of the Company, as well as major shareholder of LOSB. HI is wholly-owned by HF.
"SECSB"	Sabah Energy Corporation Sdn Bhd (381950-H). SECSB is a forty per cent (40%) shareholder of RPI and RPOMI and twenty per cent (20%) shareholder of RPII and RPOMII.
"PSKJ"	Perbadanan Setiausaha Kerajaan Negeri Johor [The State Secretary Johore Incorporated] (Enactment No 2 of 1953). PSKJ is a Major Shareholder of the Company through its indirect interest in PDT.
"PDT"	Permodalan Darul Ta'zim (327525-V). PDT is a Major Shareholder of the Company.
"SGJ"	State Government of Johor. SGJ is a Major Shareholder of the Company through its indirect interest in PDT.

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2017

Authorised Share Capital	:	RM2,000,000,000.00
Issued and Paid-up Capital	:	RM888,315,767.00
Type of shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1.	Tan Sri Azman Yahya	1,500,000	0.17	24,159,400#	2.72
2.	Tan Sri Hamdan Mohamad	40,370,000	4.54	257,240,098*	28.96
3.	Dato Sri Lim Haw Kuang	-	-	-	-
4.	Tan Sri Saw Choo Boon	-	-	-	-
5.	Datuk Seri Dr. Nik Norzrul Thani Nik Hassan	-	-	-	-
6.	Dato' Zulkifli Ibrahim	150,000	0.02	-	-
7.	Lim Hun Soon @ David Lim	-	-	-	-
8.	Abu Talib Abdul Rahman	27,000	0.00	-	-
9.	Loong Mei Yin	-	-	-	-

* *Deemed interested by virtue of (i) his interests in Hamdan Inc. (Labuan) Pte. Ltd, Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and (ii) him being the sole beneficiary of the Hamdan (L) Foundation which owns the entire stake in Hamdan Inc. (Labuan) Pte. Ltd.*

\# *Deemed interested by virtue of his interests in Symphony Life Bhd, Virtuoso Capital Sdn Bhd and Azman & Son Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017

Shareholding	No. of Shareholders	%	No. of Shares	%
Less than 100	5,866	38.09	151,295	0.02
100 to 1,000	4,275	27.76	1,741,770	0.20
1,001 to 10,000	3,933	25.54	15,752,152	1.77
10,001 to 100,000	1,150	7.47	34,997,409	3.94
100,001 to less than 5% of issued shares	170	1.10	250,846,304	28.24
5% and above of issued shares	6	0.04	584,826,837	65.84
Total	**15,400**	**100.00**	**888,315,767**	**100.00**

ANALYSIS OF SHAREHOLDINGS (CONT'D)
As at 31 March 2017

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares	%	No. of Shares	%
Cheval Infrastructure Fund LP (acting via its general partner, TAEL Management Co. (Cayman) Ltd)	181,228,777	20.40	-	-
Lambang Optima Sdn Bhd	179,167,594	20.17	-	-
Ranhill Corporation Sdn Bhd	65,830,466	7.41	-	-
Hamdan Inc. (Labuan) Pte. Ltd	12,242,038	1.38	(1) 244,998,060	(1) 27.58
Hamdan (L) Foundation	-	-	(2) 257,240,098	(2) 28.96
Tan Sri Hamdan Mohamad	40,370,000	4.55	(3) 257,240,098*	(3) 28.96
Permodalan Darul Ta'zim Sdn Bhd	94,100,000	10.59		
Perbadanan Setiausaha Kerajaan Johor (The State Secretary Johore Incorporated)	-	-	(4) 94,100,000	(4) 10.59
State Government of Johor	-	-	(5) 94,100,000	(5) 10.59
Lembaga Tabung Haji	(6) 69,436,600	(6) 7.82		

Notes:

(1) *Deemed interested by virtue of its direct interests in Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

(2) *Deemed interested by virtue of its interests in Hamdan Inc. (Labuan) Pte. Ltd, Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

(3) *Deemed interested by virtue of (i) his interests in Hamdan Inc. (Labuan) Pte. Ltd, Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 and (ii) him being the sole beneficiary of the Hamdan (L) Foundation which owns the entire stake in Hamdan Inc. (Labuan) Pte. Ltd.*

(4) *Deemed interested by virtue of its direct interests in Permodalan Darul Ta'zim Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

(5) *Deemed interested by virtue of its interests in Permodalan Darul Ta'zim Sdn Bhd and State Secretary Johore Incorporated pursuant to Section 8 of the Companies Act, 2016.*

(6) *4,936,600 shares held under Maybank Asset Management Sdn Bhd.*

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 31 March 2017

30 LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

No.	Name	Shareholdings	Percentage (%)
1.	UOBM NOMINEES (ASING) SDN BHD CHEVAL INFRASTRUCTURE FUND L.P.	181,228,777	20.40%
2.	UOBM NOMINEES (TEMPATAN) SDN BHD LAMBANG OPTIMA SDN BHD	126,957,511	14.29%
3.	PERMODALAN DARUL TA'ZIM SDN BHD	94,100,000	10.59%
4.	RANHILL CORPORATION SDN BHD	65,830,466	7.41%
5.	LEMBAGA TABUNG HAJI	64,500,000	7.26%
6.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAMBANG OPTIMA SDN BHD (HAM0007M)	52,210,083	5.88%
7.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN MOHAMAD (MGN-HAM007M)	40,370,000	4.54%
8.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION	25,874,000	2.91%
9.	MIDF AMANAH INVESTMENT BANK BERHAD IVT FOR MIDF AMANAH INVESTMENT BANK BERHAD (ACCOUNT 2)	24,671,300	2.78%
10.	YPJ CORPORATION SDN BHD	20,041,633	2.26%
11.	HAMDAN INC. (LABUAN) PTE LTD	12,242,038	1.38%
12.	ABB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR VIRTUOSO CAPITAL SDN BHD	11,115,612	1.25%
13.	CARTABAN NOMINEES (TEMPATAN) SDN BHD CORSTON-SMITH ASSET MANAGEMENT SDN BHD FOR CORSTON-SMITH ASEAN CORPORATE GOVERNANCE FUND	9,434,800	1.06%
14.	AFFIN HWANG INVESTMENT BANK BERHAD IVT (000) FOR INVESTMENT	8,606,200	0.97%
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG)	8,000,000	0.90%
16.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOLTON BERHAD (49365 JPLE-ODRC2)	7,469,700	0.84%

ANALYSIS OF SHAREHOLDINGS (CONT'D)
As at 31 March 2017

30 LARGEST SHAREHOLDERS AS AT 31 MARCH 2017 (CONT'D)

No.	Name	Shareholdings	Percentage (%)
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ISLAMIC ASSET MANAGEMENT SDN BHD (RESIDENT) (475391)	5,980,000	0.67%
18.	CARTABAN NOMINEES (ASING) SDN BHD BCSL CLIENT AC PB CAYMAN CLIENTS	5,899,400	0.66%
19.	MUHAMAD ALOYSIUS HENG	3,808,700	0.43%
20.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	3,659,500	0.41%
21.	PERTUBUHAN PELADANG KEBANGSAAN	3,000,000	0.34%
22.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	2,923,100	0.33%
23.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD (SINGAPORE BCH)	2,676,803	0.30%
24.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB TRUSTEE BERHAD (TR1032)	2,500,000	0.28%
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD (RESIDENT)	2,456,300	0.28%
26.	VIRTUOSO CAPITAL SDN BHD	2,251,535	0.25%
27.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (UT-PM-DIV)	1,924,000	0.22%
28.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MYBK AM SC E)	1,582,500	0.18%
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD (ISLAMIC) (DELEGATED A/CS)	1,499,400	0.17%
30.	MOHAMED AZMAN BIN YAHYA	1,100,000	0.12%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Third (3rd) Annual General Meeting ("AGM")** of Ranhill Holdings Berhad ("Ranhill" or "the Company") will be held on **Tuesday, 23 May 2017** at **10.00 a.m.** at the Taming Sari Grand Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, No. 5 Jalan Conlay, 50450 Kuala Lumpur for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **(Note A)**

2. To approve the payment of final dividend of 2 sen per share under the single-tier system in respect of the financial year ended 31 December 2016. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire in accordance with Article 101 of the Company's Constitution, and being eligible, have offered themselves for re-election:
   (a) Tan Sri Hamdan Mohamad (Ordinary Resolution 2)
   (b) Tan Sri Saw Choo Boon (Ordinary Resolution 3)
   (c) Dato Sri Lim Haw Kuang (Ordinary Resolution 4)

4. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Constitution, and being eligible, have offered themselves for re-election:
   (a) Loong Mei Yin (Ordinary Resolution 5)
   (b) Datuk Abdullah bin Karim (Ordinary Resolution 6)
   (c) Izaddeen bin Daud (Ordinary Resolution 7)

5. To approve the payment of Directors' fees and benefits from 31 January 2017 until the next Annual General Meeting of the Company. (Ordinary Resolution 8)

6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 9)

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:

7. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** (Ordinary Resolution 10)

   "THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016 (the "Act"), to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed ten (10) percent of the total number of issued shares of the Company for the time being and

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant regulatory bodies being obtained (if required)."

8. **Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")** (Ordinary Resolution 11)

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.6 of the Circular to Shareholders dated 29 April 2017 ("the Related Party") provided that such transactions are:-

(a) necessary for the day-to-day operations;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company.

("**the Shareholders' Mandate**")

THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(1) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) is revoked or varied by resolution passed by shareholders in a general meeting, whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate;

AND THAT the estimated value given on the recurrent related party transactions specified in Section 2.6 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount(s) thereof provided always that such amount(s) comply with the review procedures set out in Section 3.0 of the Circular."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. **Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")** (Ordinary Resolution 12)

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.7 of the Circular to Shareholders dated 29 April 2017 ("the Related Party") provided that such transactions and/or arrangements are:

(a) necessary for the day-to-day operations of the Group;
(b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
(c) are not prejudicial to the minority shareholders of the Company.

("**the Shareholders' Mandate**")

THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed; or
(b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340(1) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is the earliest;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate;

AND THAT the estimated value given on the recurrent related party transactions specified in Section 2.7 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount(s) thereof provided always that such amount(s) comply with the review procedures set out in Section 3.0 of the Circular."

10. To transact any other business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of final dividend of 2 sen per share under the single-tier system in respect of the financial year ended 31 December 2016 ("Dividend") under Ordinary Resolution 1 at the 3rd AGM of the Company, the Dividend will be paid to the shareholders on Friday, 16 June 2017. The entitlement date for the Dividend shall be Friday, 2 June 2017.

Shareholders of the Company will only be entitled to the Dividend in respect of:

(a) securities transferred into their securities account before 4.00 p.m. on Friday, 2 June 2017 for transfers; and
(b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

ON BEHALF OF THE BOARD

LAU BEY LING (MAICSA 7001523)
LEONG SHIAK WAN (MAICSA 7012855)

Company Secretaries
Kuala Lumpur
29 April 2017

NOTES:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf except in the circumstances set out in notes 3 and 4 below. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. Where a member appoints more than one (1) proxy, each proxy appointed, shall represent a minimum of 100 shares and such appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

3. Where a member who is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds to vote instead of it, and that a proxy need not also be a member and that where a member appoints more than one proxy, the appointments shall be invalid unless it specifies the proportion of its holdings to be represented by each proxy.

5. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, it must be under its seal or under the hand of an officer or attorney duly authorised by the corporation.

7. **The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof.**

8. Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 3rd AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-polling process and verify the results of the poll.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Members Entitled to Attend

In respect of deposited securities, only a member whose name appears in the General Meeting Record of Depositors as at **Tuesday, 16 May 2017** shall be entitled to attend, speak and vote at the 3rd AGM.

Explanatory Notes on Ordinary Resolution 1, 8, 10, 11 and 12

Note A

The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with the provisions of Section 340(1) of the Companies Act 2016 ("the Act"), and it does not require a formal approval of the shareholders. Hence, this agenda will not be put forward for voting.

Ordinary Resolution 1 – Proposed Final dividend

With reference to Section 131 of the Act, a company may only make a distribution to the shareholders out of profits of the company available if the is company solvent. On 27 February 2017, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 16 June 2017 in accordance with the requirements under Section 132(2) and (3) of the Act.

Ordinary Resolution 8 – Proposed Payment of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Act which came into force on 31 January 2017, fees and benefits ("**Remuneration**") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Remuneration to Non-Executive Directors for the period commencing 31 January 2017 up till the next Annual General Meeting of the Company in 2018 in accordance with the remuneration structure set out below. The Remuneration comprises fees and other benefits-in-kind ("BIK") payable to the Chairman and members of the Board, and the Chairmen and members of Board Committees.

Remuneration Structure for Non-Executive Directors	Monthly Fees (RM) Per Director
Chairman's Fees	15,000
Chairman's BIK	50,000 (per annum)
Director's Fees	12,000
Chairman of Audit Committee	2,165
Member of Audit Committee	1,500

Note: Except for the Audit Committee, the Chairman of the other Board Committees and members thereof are paid only for their meeting attendance.

Ordinary Resolution 10 – Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution proposed under Resolution 9 of the Agenda is a general mandate for the Directors to issue and allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016. The proposed Resolution 9, if passed, will give authority to the Directors of the Company, from the date of this Annual General Meeting, to issue and allot shares or to make or grant offers, agreements or options in respect of shares to such persons, in their absolute discretion including to make or grant offers, agreements or options which would or might require shares in the Company to be issued after the expiration of the approval, without having to convene a general meeting, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to making placement of shares for purposes of funding investment(s), working capital and general corporate purposes as deemed necessary. The general mandate gives authority to the Directors to raise funds in an effective and expeditious manner.

Ordinary Resolution 11 – Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature

The proposed on resolution, if passed, will enable Ranhill Group to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Ranhill Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 29 April 2017, which is despatched together with the Company's 2016 Annual Report.

Ordinary Resolution 12 – Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")

The proposed on resolution, if passed, will enable Ranhill Group to enter into additional recurrent related party transactions of a revenue or trading nature which are necessary for the Ranhill Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 29 April 2017, which is despatched together with the Company's 2016 Annual Report.

PROXY FORM

CDS Account No.	

Ranhill

RANHILL HOLDINGS BERHAD
(Company No. 1091059-K)
(Incorporated in Malaysia)

I/We, ______________________________ *(NRIC/Company No.) ______________
(Full Name in **Capital** Letters)

of ____
(Full Address)

being a Member/Members of Ranhill Holdings Berhad hereby appoint ______________________

______________________________ (NRIC) ______________
(Full Name in **Capital** Letters)

of ____
(Full Address)

or failing him/her (NRIC) ______________________________
(Full Name in **Capital** Letters)

of ____
(Full Address)

or failing whom, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Third (3rd) Annual General Meeting of the Company to be held on Tuesday, 23 May 2017 at 10.00 a.m. at the Taming Sari Grand Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, No. 5 Jalan Conlay, 50450 Kuala Lumpur and at any adjournment thereof on the following resolutions in the manner indicated below:-

My/our proxy is to vote as indicated below.

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

(Please indicate with either an 'X' or "√" in the appropriate spaces provided below on how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion or as he thinks fit.)

		FOR	AGAINST
Ordinary Resolution 1	To approve the payment of final dividend of 2 sen per share under the single-tier system in respect of the financial year ended 31 December 2016		
Ordinary Resolution 2	To re-elect Tan Sri Hamdan Mohamad pursuant to Article 101		
Ordinary Resolution 3	To re-elect Tan Sri Saw Choo Boon pursuant to Article 101		
Ordinary Resolution 4	To re-elect Dato Sri Lim Haw Kuang pursuant to Article 101		
Ordinary Resolution 5	To re-elect Ms Loong Mei Yin pursuant to Article 84		
Ordinary Resolution 6	To re-elect Datuk Abdullah Bin Karim pursuant to Article 84		
Ordinary Resolution 7	To re-elect Encik Izaddeen Bin Daud pursuant to Article 84		
Ordinary Resolution 8	To approve the payment of Directors' fees and benefits from 31 January 2017 until the next Annual General Meeting of the Company		
Ordinary Resolution 9	To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration		
Ordinary Resolution 10	To authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 11	Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature		
Ordinary Resolution 12	Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature		

No. of Shares held	

*The proportion of *my/our holdings to be represented by *my/our *proxy/proxies are as follows:*

	No. of shares	*Percentage*
First (1st) Proxy		
Second (2nd) Proxy		
TOTAL		*100%*

* Strike out whichever is not desired.

Dated this ______________ day of ______________ 2017

____
Signature of Member/Power of Attorney/Common Seal

NOTES:

Members Entitled to Attend:

In respect of deposited securities, only a member whose name appears in the General Meeting Record of Depositors as at Tuesday, 16 May 2017 shall be entitled to attend, speak and vote at the 3rd AGM.

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf except in the circumstances set out in notes 3 and 4 below. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints more than one (1) proxy, each proxy appointed, shall represent a minimum of 100 shares and such appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
3. Where a member who is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds to vote instead of it, and that a proxy need not also be a member and that where a member appoints more than one proxy, the appointments shall be invalid unless it specifies the proportion of its holdings to be represented by each proxy.

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Ranhill Holdings Berhad
3rd Annual General Meeting
23 May 2017

STAMP

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Pusat Dagangan Dana 1,
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan,
Malaysia

2nd fold here

5. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, it must be under its seal or under the hand of an officer or attorney duly authorised by the corporation.
7. **The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof.**
8. Pursuant to Paragraph 8.29A(1) of the Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 3rd AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-polling process and verify the results of the poll.

RANHILL HOLDINGS BERHAD (1091059-K)
Level 13, Wisma Perkeso, 155, Jalan Tun Razak, 50400 Kuala Lumpur
T : 03-2685 5200 F : 03-2685 5286
E : info@ranhill.com.my
www.ranhill.com.my

Ranhill

RANHILL HOLDINGS BERHAD
(Company No. 1091059-K)
(Incorporated in Malaysia)

28 April 2017

To: The Shareholders of Ranhill Holdings Berhad

ADDENDUM TO THE ANNUAL REPORT 2016

Ranhill Holdings Berhad provides the following addendum to the Annual Report 2016 in accordance with the Appendix 9C Part A (13), (21) & (22) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

ADDITIONAL COMPLIANCE INFORMATION

(i) Material Contracts/Loan involving Directors/Major Shareholders' interests

Ranhill Corporation Sdn Bhd ("**RCorp**") had via its letters dated 26 May 2014 and 30 May 2014 agreed to make available an interest free loan facility of RM20.00 million to Ranhill Water Technologies (Cayman) Ltd ("**RWTC**"), which has been settled at the end of the financial year ended 31 December 2016. RWTC is a company in the group which is wholly-owned by Ranhill Capital Sdn Bhd which in turn is wholly-owned by Ranhill Holdings Berhad. RCorp is a company wholly-owned by Hamdan Inc. (Labuan) Pte Ltd which in turn is wholly-owned by the Hamdan (L) Foundation. Tan Sri Hamdan Mohamad, our Director and a major shareholder is the sole beneficiary of the Hamdan (L) Foundation. Details of the loan facility are as follows:-

Purpose:	For investment in the China projects
Interest rate:	Nil
Security:	Nil
Repayment:	Full settlement on 19 December 2016

Save as above and that disclosed in the Circular to Shareholders dated 29 April 2016, there were no other material contracts/loans entered into by the Company or its subsidiaries involving Directors' and/or major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

(ii) Utilisation of Proceeds

We have completed two corporate exercises in FY2016 which raised a total of RM555.64 million, namely:

1. Public Offering of 322,320,800 new ordinary shares at RM1.20 per share which raised a total of RM386.78 million ("**Public Offering**"); and

2. The divestment of 60% equity interest in Ranhill Water (Hong Kong) Limited, a wholly owned subsidiary of RWTC which in turn is an indirect wholly-owned subsidiary of Ranhill Holdings Berhad to Asia Wisdom Investments Limited, an indirect wholly-owned subsidiary of SIIC Environment Holdings Ltd. for a total cash consideration of RMB273.90 million (approximately RM168.86 million) ("**Divestment**").

The status of utilisation of the proceeds received from the Public Offering as at 31 March 2017 is set out below:

Purpose	Proposed Utilisation (RM' million)	Actual Utilisation (RM' million)	Balance Unutilised (RM' million)	Status
Full repayment of RPI's outstanding IMTN	220.00	220.00	-	Completed
Partial repayment of the Sukuk	100.00	100.00	-	Completed
Estimated settlement of the Proposed Remaining RWTC Acquisition	125.00	55.90[(1)]	-	Completed
Investment into RWTC for the water business projects in China	75.00	-[(2)]	-	Completed
Working capital (includes the estimated expenses for our Offering)	117.50	10.88[(1)]	-	Completed
Total	**637.50**	**386.78**	**-**	

Notes:-

(1) The shortfall amounts were funded through internally generated funds.

(2) No allocation for this item due to limited fund raised from the Public Offering.

The status of utilisation of the proceeds received from the Divestment as at 31 March 2017 is set out below[(1)]:

Purpose	Proposed Utilisation (RM' million)	Actual Utilisation (RM' million)	Balance Unutilised (RM' million)	Status
Investment in new power projects	100.00[(2)]	-	100.00	Not utilized as we have yet to receive any letter of award
Working capital	37.33	37.33	-	Completed
RCSB Designated Account	20.00	20.00	-	Completed
Estimated stamp duties, taxes and other direct expenses	8.37	2.20	6.17	RM6.17 million set aside for the estimated China income tax for the Divestment, which is pending assessment from China tax bureaus
Estimated expenses in relation to the Divestment	3.16	3.16	-	Completed
Total	**168.86**	**62.69**	**106.17**	

Notes:-

(1) Exchange rate as per circular dated 18 November 2016 – RMB1.00 : RM0.6165.

*(2) Inclusive of RMB50.00 million (approximately RM30.83 million) which is subject to conditions to be fulfilled ("**Second Instalment**"). The conditions are yet to be fulfilled hence we have not receive the Second Instalment payment.*

Yours faithfully

TAN SRI HAMDAN MOHAMAD
Executive Director/President and Chief Executive