Ranhill

FORGING SUSTAINABLE GROWTH

ANNUAL REPORT 2017

Mission Statement

To be a regional leader in water, wastewater and energy with emphasis on circular economy.

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 customers' expectations.

Our Values

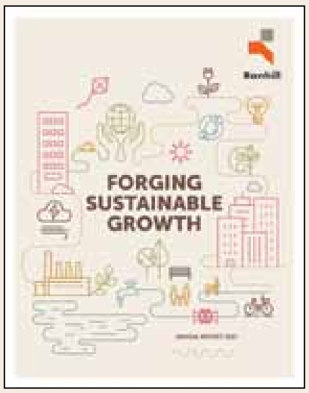
RESPECT
Respect for the environment, communities we serve and for our employees.

RESOURCEFUL
Determination in sourcing and adopting innovative solutions.

RESULT
Focused on delivering growth and value to our stakeholders.

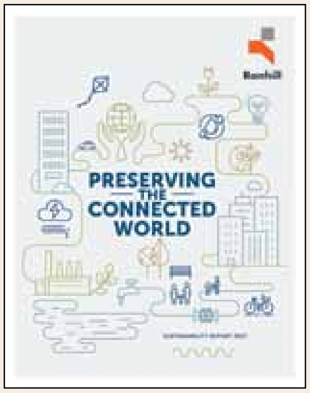
Our Reports

We produce a full suite of reporting publications to cater to the diverse needs of our broad stakeholder base. The following reports, which support our Annual Report, are tailored to meet our readers' specific information requirements.



Annual Report 2017

Objective
- Provides a comprehensive discussion of the Group's performance



Sustainability Report 2017

Objective
- Presents a balanced and comprehensive analysis of the Group's sustainability practices and performance in relation to issues material to our stakeholders

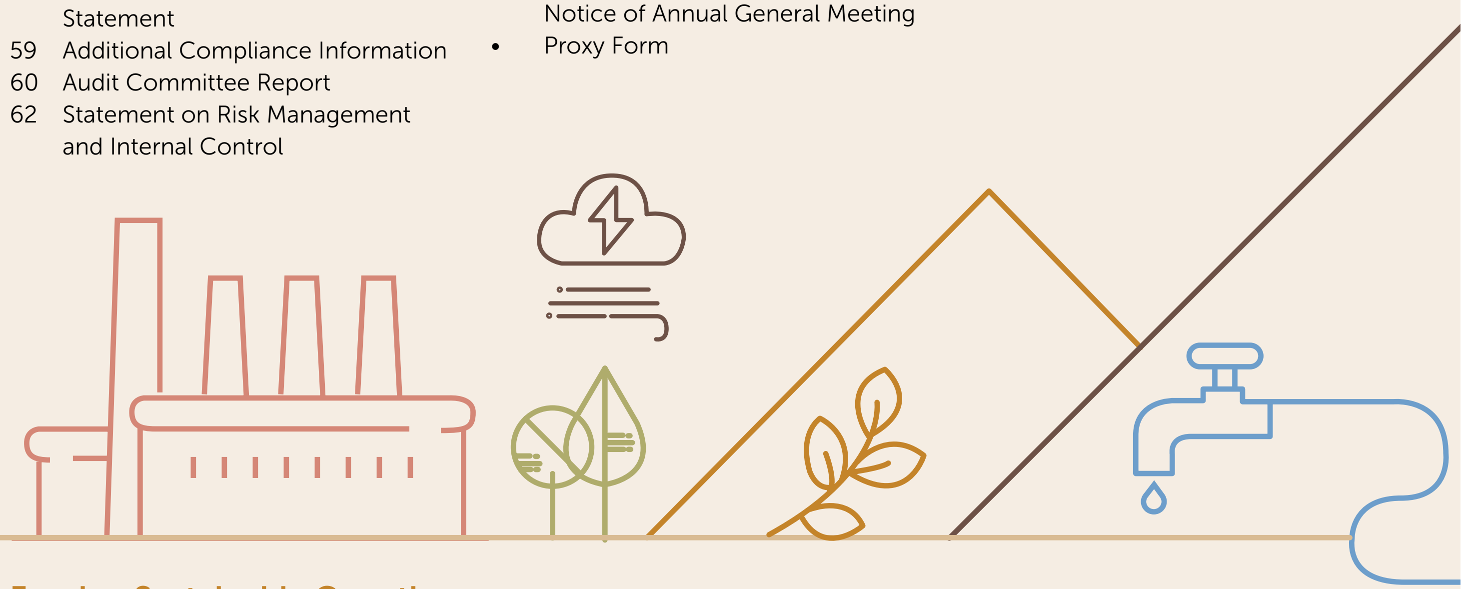
What's Inside

4th Annual General Meeting of Ranhill Holdings Berhad

Johor Conference Hall, Level 1, Forest City Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Darul Takzim

Tuesday, 8 May 2018

10.00 a.m.



Forging Sustainable Growth

When Ranhill's aspiration is in tandem with the vision of "Enriching Lives through Sustainable Solutions", the cover reflects a well charted and balanced growth trajectory that embodies the diversity of Ranhill business activities that support the triple bottom line approach to the Environment (Planet) and Communities (People) whilst achieving Financial Objective (Profit).

Ranhill strives to achieve greater success by continuously forging sustainable growth, to become a regional leader in the Environment and Power Sector.

RANHILL FACT SHEET

Corporate Info

2,916
Employees

Provides Water To
3.7 Million
People

Provides Electricity To
1.4 Million
People

Environment

99.8%
Water Supply Coverage Areas

673
active storage and service reservoirs

Johor has the lowest NRW per KM of Water Pipe Length At
0.017 MLD/KM

Total Water and Wastewater Treatment Capacity
2,275.5 MLD

Local
87.3%

International
12.7%

Renewal of another **3-year** period (2018-2020) the exclusive water operator's license in Johor contributes to company's growth

22,150KM of pipelines, of which **18,725KM** are reticulation mains, **3,261KM** of distribution mains and **164KM** of raw water mains

Clean Energy

Operate **two**
190MW
Combined Cycle Gas Turbine (CCGT) power plants in Kota Kinabalu Industrial Park

Have a **21-year** Power Purchase Agreement (PPA) with Sabah Electricity Sdn Bhd (SESB) for the sale of up to
380MW
of electrical generation capacity and electricity production

Clean Energy
380MW

Operate and Maintain
2x190MW

We are the largest Independent Power Producer (IPP)
within the state of Sabah in Malaysia

Development Role

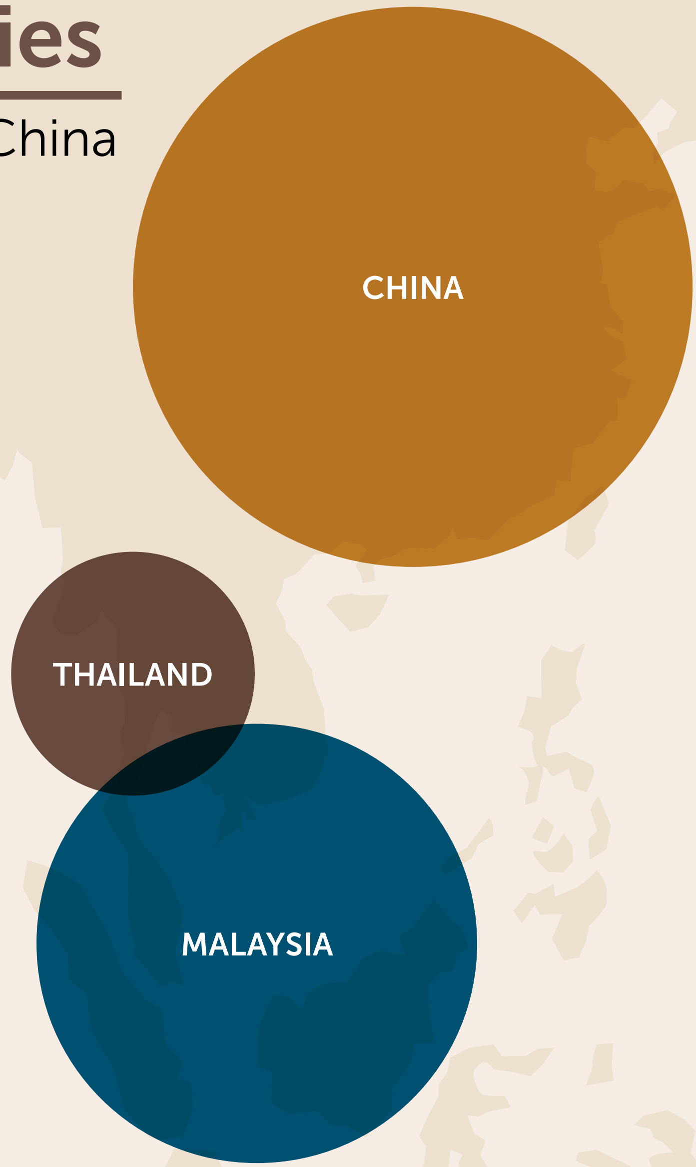
378
internship student
participate in the internship programme

In 2017,
RM2.37 million
spent for external learning and development programmes to enhance skills and opportunities for career advancement

OUR PRESENCE

3 countries

Malaysia, Thailand, China



THAILAND

- 8 water and wastewater treatment plants and 1 reclamation plant with industrial park developers and other private enterprises
- Total treatment design capacity of **102 MLD**

CHINA

- Concession agreement with local authorities or industrial park management councils
- 10 wastewater and reclamation treatment plants, ranging from **25-30 years**
- Total treatment design capacity of **187.5 MLD**

MALAYSIA

Water Supply Services in Johor, Malaysia

- Exclusive license to provide source-to-tap water supply services throughout the entire State of Johor
- Johor is the second most populous state, with approximately 3.7 million population as at December 2017
- 44 water treatment plants
- Total treatment design capacity of **1,986 MLD**

Power Business in Sabah, Malaysia

- The largest Independent Power Producer (IPP) in Sabah, Malaysia
- Operates two 190 MW Combined Cycle Gas Turbine (CCGT) power plants in Kota Kinabalu Industrial Park
- 21-year Power Purchase Agreements (PPAs) with Sabah Electricity for the sale of up to **380 MW** of electrical generating capacity and electricity production
- Total capacity represents approximately 37% of combined installed capacity of all IPPs in Sabah

Environment

Clean Energy

We stand proud as a Malaysian conglomerate, with keen interest to reach out to, and better the lives of local communities via the environment and clean energy sectors.

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

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

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

DATO' ZULKIFLI IBRAHIM
Independent Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Independent Non-Executive Director

MS LOONG MEI YIN
Non-Independent Non-Executive Director

DATUK ABDULLAH KARIM
Independent Non-Executive Director

MS LEOW PEEN FONG
Independent Non-Executive Director
(appointed w.e.f. 2 March 2018)

Note:
Encik Izaddeen Daud had resigned as a Non-Independent/Non-Executive Director of the Company w.e.f. 9 January 2018.

AUDIT COMMITTEE ("AC") MEMBERS

MR LIM HUN SOON @ DAVID LIM
(Chairman)
Independent Non-Executive Director

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

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

NOMINATING AND REMUNERATION COMMITTEE ("NRC") MEMBERS

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
Independent Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

GOVERNANCE AND RISK MANAGEMENT COMMITTEE ("GRMC") MEMBERS

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

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

CORPORATE INFORMATION

STRATEGY AND INVESTMENT COMMITTEE ("SIC") MEMBERS

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

MS LOONG MEI YIN
Member
Non-Independent
Non-Executive Director

DATO' ZULKIFLI IBRAHIM
Member
Independent Non-Executive Director

Note :
Arising from the resignation of Encik Izaddeen Daud as a Non-Independent/Non-Executive Director of the Company w.e.f. 9 January 2018, consequently, he also had ceased to be a member of the SIC with effect from the same instant.

COMPANY SECRETARIES

MS LAU BEY LING
Chartered Secretary
MAICSA 7001523

MS LEONG SHIAK WAN
Chartered Secretary
MAICSA 7012855

REGISTERED OFFICE

Bangunan SAJ Ranhill
Jalan Garuda, Larkin
80350 Johor Bahru
Johor Darul Takzim, Malaysia

Telephone No. : 607-2255300
Facsimile No. : 607-2255310
Website : www.ranhill.com.my

SHARE REGISTRAR

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

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

Main Market of Bursa Malaysia Securities Bhd
(Listed on 16.12.2015 and traded on 16.03.2016)

Stock Name : RANHILL
Stock Code : 5272

FORM OF LEGAL ENTITY

Incorporated on 28 April 2014 as a private limited liability company in Malaysia under the Companies Act 1965. On 24 October 2014, converted into a public company limited by shares under its current name. Commenced its business on 16 December 2015 following the completion of the pre-offering reorganisation. On 16 December 2015, also assumed its listing status on the Main Market of Bursa Malaysia Securities Berhad following the completion of the reverse takeover of Symphony House Berhad.

CHAIRMAN'S STATEMENT

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

Dear Shareholders,

The year 2017 proved to be a better year as the global and Malaysian economy both posted stronger growth. In Malaysia, gross domestic product ("GDP"), expanded 5.9% driven mainly by private sector demand with support from the external sector. On the back of improving economic conditions and greater demand for clean water and clean energy, Ranhill Holdings Berhad ("Ranhill" or "The Group") aggressively pursued its strategies during the financial year.

As a regional leader in the environment (water) and power sectors, we stay true to our vision of enriching lives through sustainable solutions. Towards this end, we actively sought to expand our business footprint and to grow our revenue regionally by bringing our expertise and capabilities to deliver game-changing positive impact on stakeholders.

Ingrained in us is the precept that in order for our business to be sustainable, our ambitions must be balanced with corporate social responsibilities. In addition, as we made progress in terms of business operations and sustainability, we have also strengthened our internal processes and procedures to harness better operational synergy and productivity and to practice better corporate governance. We have certainly progressed in reflecting the spirit of the Corporate Liability Act as well as the Malaysia Code of Corporate Governance 2017.

One key area is that of gender diversity. The Board is cognisant for the need of diversity and plurality in its composition to reflect a wider range of perspectives on issues and to facilitate sounder decision-making. With that, I am happy to welcome our second woman Director, Ms. Leow Peen Fong as an Independent Non-executive Director of Ranhill.

> "GDP IS EXPECTED TO GROW BETWEEN **5%-5.5% IN 2018** MAINLY DRIVEN BY DOMESTIC DEMAND AND CONTINUED STRENGTH IN GLOBAL TRADE"

CHAIRMAN'S STATEMENT

The Board seriously considers diversity in terms of gender, age, ethnicity, academic and professional qualification, experience, skills, character, commitment and independence in its selection of candidates for Directors.

LOOKING FORWARD

As the Malaysian economy continues to expand, GDP is expected to grow between 5%-5.5% in 2018, mainly driven by domestic demand and continued strength in global trade which is likely to advance by 5.3% year-on-year. Headline inflation is expected to decline to the 3% to 3.5% range.

Ranhill operates in steady growth industries that have good potential going forward due to the rising demand for clean water and energy fueled by population growth, urbanisation, increase manufacturing and industrial activities and other factors.

Under the 2018 National Budget, the Malaysian Government has allocated a significant amount in these areas which bodes well for prospects going forward. This includes RM5 billion under the Green Technology Financing Scheme to promote investment in green technology industries; RM1.4 billion to implement NRW programmes to reduce the average loss of water; RM1.3 billion to construct off-river storage as an alternative water resource and RM517 million for flood mitigation programmes. There are also other opportunities identified under the 11th Malaysia Plan.

The Group is focused on unlocking these potentials, where we already have well-established operations. Prospects in Johor are strong given the rising demand for water coupled with an expanding customer base arising from new housing, commercial and industrial developments. We remain heavily vested and well committed to Johor having moved our headquarters and the bulk of our operations to the state. Johor is now the home of Ranhill and we are proud to be playing a significant contributing role in developing the state's utilities infrastructure.

Ranhill has also set its sights on various water and wastewater treatment opportunities with water operators and property developers in Malaysia. This includes domestic wastewater treatment plants, with the goal of producing treated water for non-potable use in new developments, particularly in Johor.

As for international expansion, we have set our sights on Thailand, Indo-China and China. With regards to energy, we continue to look for clean energy opportunities, both locally and abroad.

ACKNOWLEDGMENTS

On behalf of the board, I wish to express our sincere gratitude to the shareholders, employees, customers, business partners, regulatory authorities and all stakeholders of Ranhill for journeying with us in 2017. I am indebted to my fellow Board members including Encik Izaddeen Daud who has retired from the Board for their counsel and guidance during the financial year.

Thank you all and let us embrace an even brighter future and forge ahead with confidence. There will be challenges but opportunities abound and we look forward to 2018 being a better year for the Group.

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

"RANHILL POSTED PROFIT BEFORE TAX OF **RM198 MILLION** 17.6% HIGHER YEAR-ON-YEAR ("Y-O-Y")"

PRESIDENT'S MESSAGE

REVENUE

RM 1.479BIL

+1.6% from RM1.455BIL

Dear Shareholders,

Once again, we are pleased to present the annual report and audited financial statements of Ranhill Holdings Berhad ("Ranhill" or the "Group") for the financial year ended December 31, 2017.

2017 was our third year as a listed entity on Bursa Malaysia Securities Berhad ("Bursa") and we draw confidence from the progress we have achieved in the past 12 months. Certainly, the year was challenging, but we have maintained our path towards growth and success while continuing to earn the confidence of stakeholders including institutional investors, clients and business partners.

Driven by our core businesses in the resilient environment and power sectors, we have bolstered our track record for delivering excellent performance while setting new benchmarks for health, safety and environment ("HSE") and notably sustainability, which is of paramount importance to the Group.

We have been successful in expanding our business footprint, both locally and abroad. There is a growing demand for clean energy and clean water and the Group has capitalised on this scenario to secure new contracts and register other notable business and operational highlights.

The total dividend payout ratio of

61%

is in line with the Group's commitment to return 50%-70% of earnings to shareholders via dividends

FINANCIAL RESULTS

In FY2017, Group revenue rose by 1.6% to RM1.479 billion. On the back of greater cost efficiency, Ranhill posted profit before tax of RM198 million 17.6% higher year-on-year ("y-o-y").

Given the improved financial performance, the Board has declared a second interim dividend payment of 2 sen for FY2017 and a final dividend of 2 sen subject to shareholder approval in the upcoming Annual General Meeting ("AGM"). The total dividend payout ratio of 61% is in line with the Group's commitment to return 50%-70% of earnings to shareholders via dividends.

HIGHLIGHTS & ACHIEVEMENTS

The renewal of Ranhill's subsidiary, SAJ Ranhill Sdn Bhd ("SAJR") license is certainly welcome news and is testament to the excellent track record we have set in Johor state. It was a challenging task initially, but progressively we have exemplified our capabilities and delivered on all expectations by providing efficient and affordable source-to-tap services. As a total solutions provider to address every requirement, SAJR is the first private entity in the country to implement a holistic approach to water privatisation. This 'source-to-tap' concept entails the complete cycle of water services from the sourcing and treatment of raw water to supplying potable water to consumers, as well as bill collection.

Our achievement in enabling Johor to have one of the lowest NRW rates is a further testament to our credentials and capabilities. Cumulatively, our performance in the state has paved the way for Ranhill to penetrate into other states such as Kelantan for NRW management.

Given our growing presence in Johor, on 1st July 2017, we have relocated our corporate headquarters to the state. Apart from enabling Ranhill with an improved cost structure, the relocation brings us closer to our main operating sites and allows for better customer response and closer engagement with key external stakeholders. Repositioning ourselves in Johor also enables us to tap the many emerging opportunities within the state, particularly for our environment operations.

PRESIDENT'S MESSAGE

With the continued progress of Iskandar Malaysia, the imminent development of the High Speed Rail and other major economic initiatives, Johor holds bright prospects going forward. The state presents many exciting and viable opportunities. As Johor grows, there will be an expansion of business opportunities reflected in the greater demand for water, power and other infrastructure. Our relocation to Johor effectively puts in a more advantageous position to contribute to the socio-economic prosperity of the state while playing a meaningful role in ushering a new landscape of progress for all stakeholders. We will continue to seek suitable projects where we may offer value and foster strong ties with relevant stakeholders towards further establishing the Ranhill brand as a leading corporate citizen of Johor.

On a separate note, Ranhill has inked a memorandum of understanding ("MOU") with Indah Water Konsortium to conduct a joint review of the Joint Billing Exercise. The move is to realise the integration of water and sewerage services in Johor, which will further enhance the Group's profitability.

Overseas, in Thailand, the Group has secured a contract to build, operate and transfer a 7 MLD Reclaimed Water Treatment Plant at Amata City Industrial Park in Thailand. This new 20-year concession will increase Ranhill's reuse and recycle treatment capacity in Thailand to 17 MLD.

In February 2018, the Group secured another contract from Amata Water Company Ltd for an expansion of capacity from 10 MLD to 15 MLD for one of its existing waste water treatment plants also in Amata City Industrial Estate. These two new contracts secured will increase the Group's total treatment capacity in Thailand from 102 MLD in 2017 to 114 MLD by the end of 2018. Discussions are on-going towards implementing more water and wastewater treatment plants in the region.


His Majesty Sultan Ibrahim Ibni Almarhum Sultan Iskandar with Tan Sri Hamdan during His Majesty's visit to Gunung Pulai Dam

More details of our achievements and progress made during the financial year are given in the Management & Discussion Analysis section of this Annual Report.

PROGRESSING ON OUR SUSTAINABILITY JOURNEY

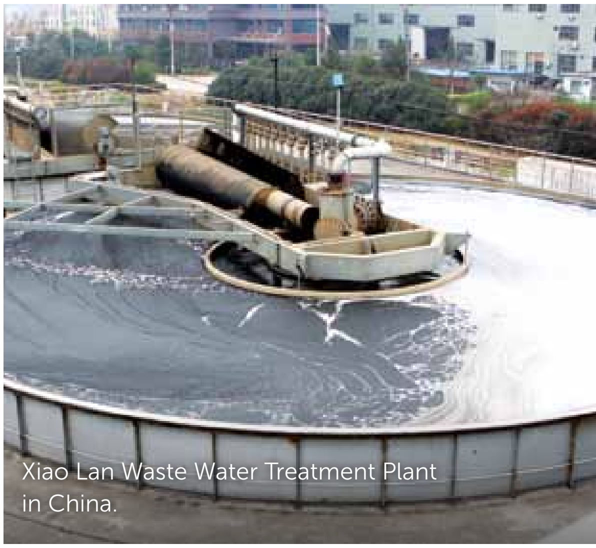
The Group continues to make progress on its sustainability journey – addressing key materiality matters while looking to ensure that its business presence and activities, as much as possible, reduce or eliminate negative impacts across economic, environmental and social ("EES") parameters.

Our sustainability strategy is driven 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.

A full account of our sustainability endeavours is given in our standalone Sustainability 2017 report. An abridged version is available within the Sustainability Statement given in this Annual Report.

ENHANCING CORPORATE GOVERNANCE

The Group has always prioritised governance and internal controls as part of its long-term business sustainability strategy. Towards this end, in line with the new Malaysian Code of Corporate Governance ("Principles") launched in April 2017, the Group continues to work towards ensuring compliance with the recommended practices. This


Xiao Lan Waste Water Treatment Plant in China.

PRESIDENT'S MESSAGE

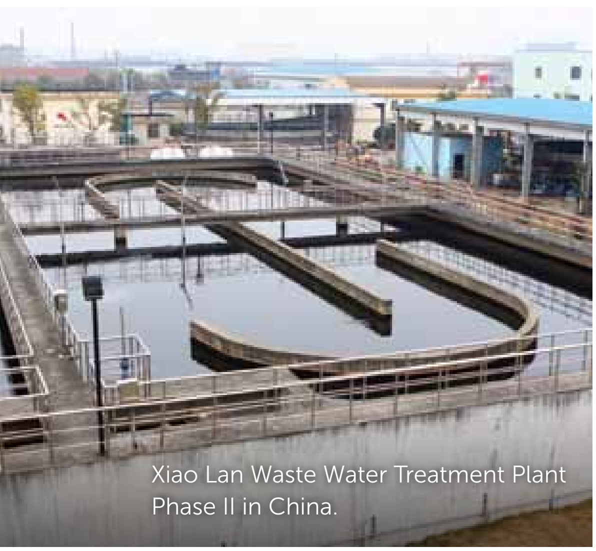
include strengthening processes for risk management and procurement, enhancing audit functions and facilitating greater transparency, accountability and check and balances within the Group.

Via subsidiary, SAJR, we continued to lead in the area of personal data protection for the water segment of the utilities sector. SAJR was selected in 2016 by the Personal Data Protection Commissioner to lead in this effort and we have upheld this responsibility with professionalism.

Teluk Salut Power Station

OUTLOOK & PROSPECTS FOR 2018

In Malaysia, we foresee continued economic growth as reflected by improving GDP performance for 2017, which will carry into 2018. GDP growth is expected to be between 5%-5.5% in 2018. Momentum in activity is expected to remain strong in the first half of the year, supported by domestic demand and continued strength in global trade. Private sector production and consumption is expected to provide impetus for domestic demand. The strengthening of the ringgit against foreign currencies, particularly the US Dollar also augurs well for the local economy going forward.



Xiao Lan Waste Water Treatment Plant Phase II in China.

Global economic activity continues to expand underpinned by improvements in crude oil prices and recovering sentiment will continue to expand. The global economy is expected to grow 3.9% in 2018.

In the environment sector, there is immense potential in Thailand, China, Indo-China and other markets as governments scale up efforts to develop sustainable water supply and waste water treatment systems.

In the power sector, prospects are strong as demand for electricity in Sabah state is expected to grow. Ranhill is the primary independent power producer in Sabah – owning, operating and maintaining two power generation assets with a combined capacity of 380MW.

In meeting demand, the Group with a strategic partner is in the final phase of negotiations involving a 300MW Combined Cycle Power Plant in Sandakan, which is expected to boost profitability.

ACKNOWLEDGEMENTS

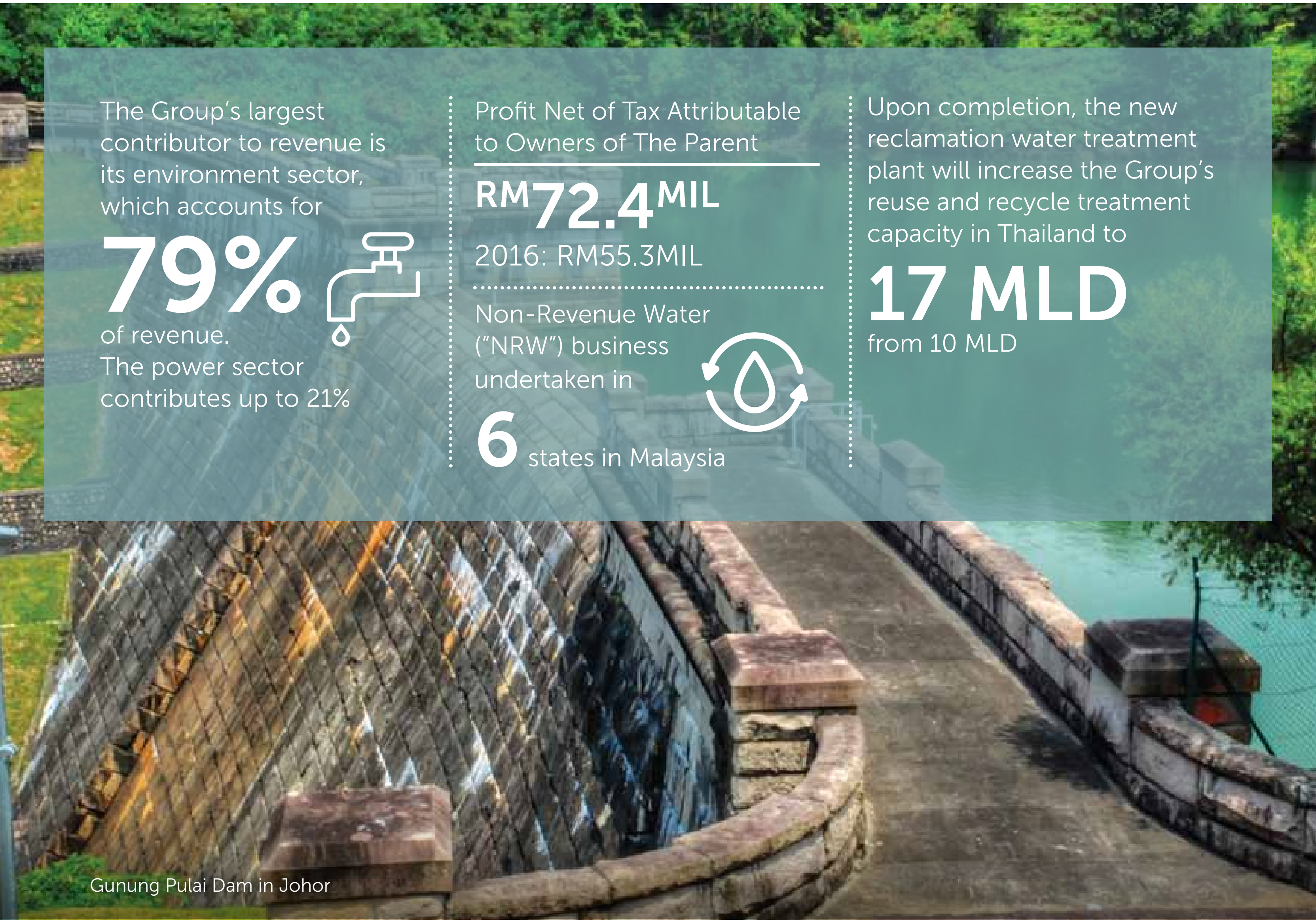
On behalf of the Board of Directors, we wish to express our deep sense of gratitude to the dedicated and professional employees of Ranhill who have been nothing short of excellent during the financial year. Their tireless dedication and commitment towards the sustained growth and success of the Group is truly most appreciated.

Taking this opportunity, we also wish to thank our esteemed fellow Board members for their wise counsel and service in the various Board Committees. We also express our thanks to our business and financial partners, the regulatory authorities, our customers and shareholders for your continued support and confidence.

May we journey together to greater heights in the financial year to come.

TAN SRI HAMDAN MOHAMAD
Executive Director
President and Chief Executive

MANAGEMENT DISCUSSION & ANALYSIS



Gunung Pulai Dam in Johor

OVERVIEW – CONSOLIDATED BASIS

BUSINESS & OPERATIONS

Material take overs, mergers, acquisitions and consolidations

Acquisition of SM Hydro Energy Sdn Bhd ("SMHESB")

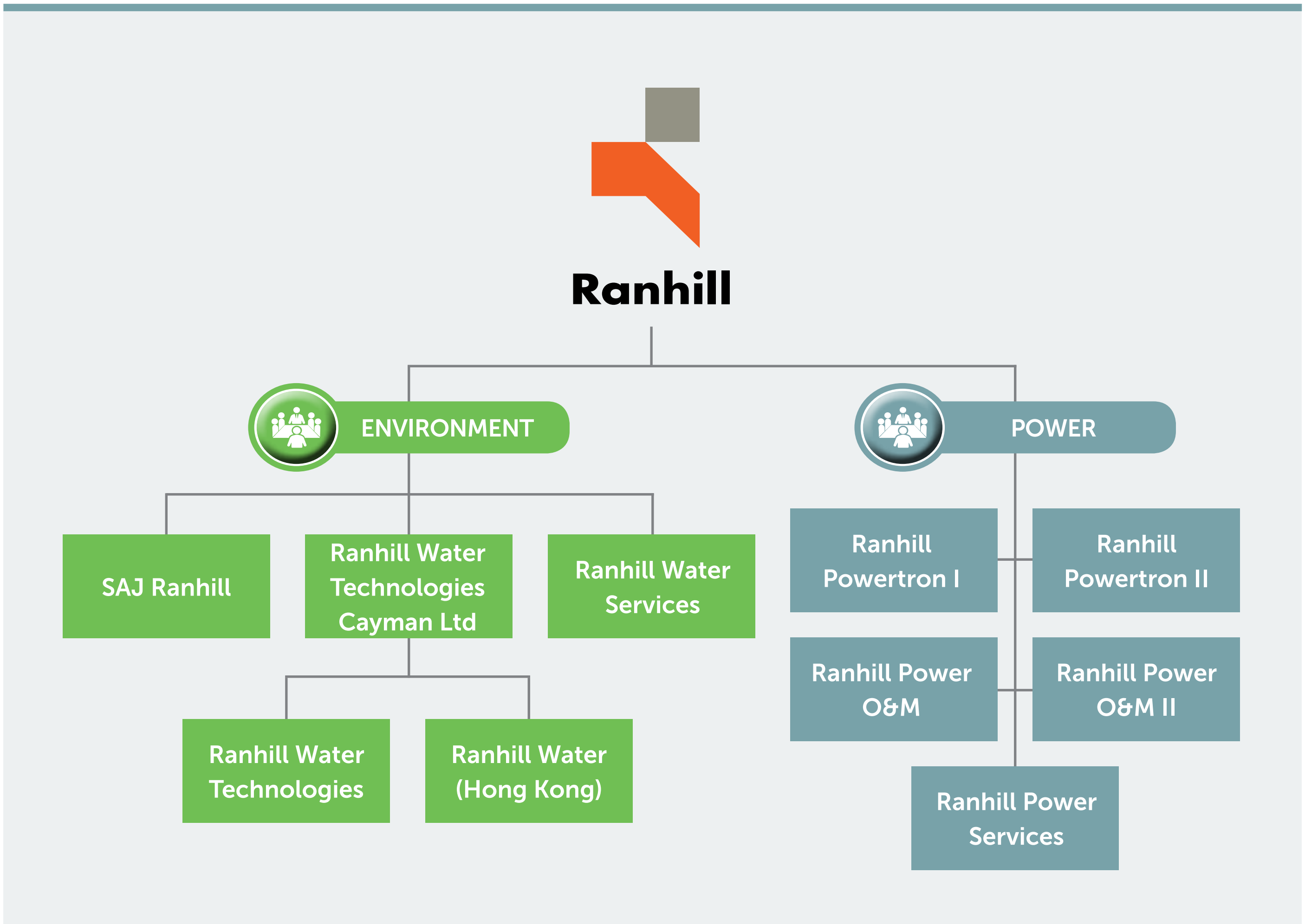
In July 2017, Ranhill acquired 100% interest in SMHESB. Together with a Sabah State owned entity, SMHESB has been identified as the party proposed to undertake and execute the development of a power project in Sabah. SMHESB has 30% interest in the said power project. In February 2018, the consortium consisting of SMHESB and the Sabah State owned entity, was issued a conditional letter of award ("CLOA") and the consortium currently negotiating on the terms and conditions.

Acquisition of Tawau Green Energy Sdn Bhd ("TGE")

In September 2017, Ranhill acquired 26.7% interest in TGE. TGE has been awarded the contract to develop a 37 megawatt (MW) geothermal power plant in Apas Kiri, Tawau, Sabah. It has conducted a comprehensive surface exploration programme comprising detailed geology, magnetotellurics geophysics and geochemistry surveys. We are retaining our equity at 26.7% and are currently engaging potential investors to jointly develop the project. The effort to engage investors has been quite challenging.

MANAGEMENT DISCUSSION & ANALYSIS

THE GROUP STRUCTURE



Industries, market & location of the group's business

Ranhill, via its subsidiaries, undertakes the businesses of water supply, operation of water and wastewater treatment plants, development and ownership of power plants and provision of technical services in the management and optimisation of water utility assets and the operation and maintenance of power plants.

Within the environment sector, which contributed 79% revenue to the group, Ranhill has a total of 1,986 million litres daily ("MLD") of water treatment capacity via its source-to-tap services in Johor, Malaysia. In Thailand, Ranhill operates 9 water and wastewater treatment plants with a total aggregate capacity of 102 MLD, whereas in China, through its 40% interest in a Hong Kong based investment holding company, Ranhill operates 8 wastewater treatment plants, with 2 more under construction to be completed this year. Due to reasons beyond our control i.e change in masterplan and non-compliance of the incoming wastewater, in 2017 we had to exit 3 projects but we secured an additional 2 projects which varied our total aggregate capacity from 260 MLD to 187.5 MLD.

In addition, Ranhill, via its wholly owned subsidiary, plays a key role in undertaking non-revenue water ("NRW") reduction projects in 6 states in Malaysia and Riyadh. Since 2005, it has saved more than 500 MLD of treated water in the 6 states in Malaysia and Riyadh, Saudi Arabia. through its NRW business arm.

Breakdown of the 500 MLD NRW are as follows:

Contracting States	NRW (MLD)
Johor	249
Melaka	59
Kedah	54
Kelantan	43
Terengganu	50
Pahang	4
Riyadh	54

MANAGEMENT DISCUSSION & ANALYSIS

In regards to the power sector, which contributed 21% revenue to the group, Ranhill is the owner and operator of 2 power plants with the combined electricity generation capacity of up to 380 megawatt ("MW"), which makes up about 37% of the total installed capacity of independent power producer in Sabah thus making Ranhill the largest independent power producer in Sabah. Each of the power plants operates using combined-cycle gas turbine, delivering clean energy.

The group's main operating facilities & capacities

SAJ Ranhill Sdn Bhd ("SAJR") operates 44 water treatment plants with a total capacity of 1,986 MLD. Its network system as at 31 December 2017 consist of 673 reservoirs and 22,150 km of pipelines, making it the second largest operator in Malaysia in terms of water assets management and revenue. SAJR provides source to tap services to about 3.7 million people and industries in Johor.

In June 2017, RWS completed the Johor NRW Phase 4 contract, achieving the contractual target of 40 MLD saving with NRW level reduction from 25.69% to 25.32% through intensified active leakage control programme, pressure management and NRW management system, focusing on both physical losses and commercial losses of NRW. RWS has saved a total of 249 MLD of treated water through NRW programmes in Johor commencing 2005. In Kelantan, RWS has assisted Air Kelantan Sdn Bhd in reducing their NRW level from 50% to 47% in 2017. In July 2017, RWS managed to secure another 2-year NRW Phase 5 contract with SAJR valued at RM122 million with a contractual target of 48 MLD savings of treated water by end of 2019.

In Thailand, we built and currently operate water, wastewater and reclaimed water treatment facilities with a total aggregate capacity of 102 MLD and all of our existing plants meet the required operational key performance indicators imposed by Industrial Estate Authority of Thailand. The measurements of treated water and wastewater are taken and measured in our own laboratory on daily basis. Samples of treated water from water treatment plant are taken to the external laboratory once a month and samples of treated effluent from wastewater treatment plant are taken to the external laboratory once a week.

Steps are taken to review our operational procedures including the usage power, chemical and sludge management. In sludge management, comparisons with our existing sludge dewatering machines against geotubes were carried out in order to ascertain the performance, compatibility and cost incurred. Through these efforts we are able to operate our plants efficiently.

In China, through our strategic partnership with SIIC, we continue to expand our footprint by securing new projects as well as increasing the capacity of the current 187.5 MLD capacity of wastewater treatment plants.

The Teluk Salut Power Station consists of four 30 MW gas turbines, four vertical heat recovery steam generators and two 35 MW steam turbines, while the Rugading Power Station comprises two 65 MW gas turbines, two horizontal heat recovery steam generators and a 60 MW steam turbines. The power plants operated by Ranhill Power O&M Sdn Bhd and Ranhill Power II O&M Sdn Bhd respectively continue to achieve commendable performance in year 2017.

The Teluk Salut Power Station delivered a total of 1148 GWh of electricity to the Sabah grid in 2017. In terms of operational performance, it recorded an average equivalent availability factor of 92.57% for 2017, outperforming the PPA limit of 87% whereas the Rugading Power Station delivered a total of 945 GWh of electricity to the Sabah grid in 2017. In terms of operational performance, it maintains the availability target of above 94% for its third-block year.

OBJECTIVES & STRATEGIES

Long term objectives/goals/targets

As the need for clean energy and clean water supply grow, Ranhill, through its niche capabilities and expertise is well positioned to meet such need. It is focused in the provision of sustainable business operations.

Ranhill targets to own and operate gross 1000 MW power plants that deliver clean energy and 3000 MLD water and wastewater treatment capacity, of which 700 MLD shall be international by year 2022.

Domestically, our capacity is expected to grow at between 3% to 4% annually, while the target of 700 MLD international capacity will be achieved through a combination of growth mainly in China and Thailand. Currently, our international treatment capacity is at 289.5 MLD (187.5 MLD in China and 102 MLD in Thailand). In line with the anticipated growth of industrial parks at these markets, we strive to continue leveraging on our good track record and relationship with existing clients and at the same time develop new customers to grow our footprint in the region. The already earmarked pursuits of 166 MLD in China for 2018 and 2019 and the 12 MLD that will be completed in Thailand by end of this year will bring the total treatment capacity to 320 MLD by 2018, and 468 MLD by 2019. This is an identified growth of 50% from the existing treatment capacity. Apart from the 166 MLD, the group has already identified additional projects that are planned for implementation totalling to about 60 MLD in China beyond 2019.

Not discounting Thailand, with the expansion of Amata through the growth earmarked in Eastern Economic Corridor, we are bullish to secure more industrial water and wastewater treatment projects with an additional 150 MLD treatment capacity not only from Amata but other industrial parks in the Thailand as well.

MANAGEMENT DISCUSSION & ANALYSIS

Ranhill has rigorously embarked on steps towards achieving the goals and amongst the initiatives that had been undertaken are the review of our international concession agreements and the incorporation of a special purpose vehicle in Singapore to undertake international investment and to tap into international financing opportunities and larger pool of investors.

Short term priorities

In Thailand, the intention is to increase the capacity from 102 MLD to 114 MLD in the next 12 months ending 2018.

Whereas in China, we are pursuing projects with the total capacity of 166 MLD with the target to secure at least 100 MLD in 2018.

SAJR, together with RWT, conducted studies on alternative potential water resources. From the studies, possible alternative potential water resources are as follows:

1. Implementation of Off River Storage ("ORS") in several potential sites in the State of Johor to improve surface water storage capacity;
2. Recycling of wastewater and treated sewage for non-potable or industrial use in the State of Johor. This effort will also minimise potential pollution or non-complying discharge of wastewater or sewage into the rivers;
3. Raw water transfer from Sg. Sembrong (a tributary of Sg. Endau) to Linggiu Dam, which in turn can release raw water into Sg. Johor along which several of SAJR's largest water treatment plants are located;
4. Exploration of ground water in the south and south east areas of Johor in collaboration with a specialist firm from Denmark, a country where 99% of high-quality potable water is supplied from ground water sources.
5. Educating the public and implementing steps to reduce water consumption from approximately 200 liter per capita per day to 180 liter per capita per day by 2020. In Singapore, the water consumption is 150 liter per capita per day.

RWS's target is to achieve 37 MLD reduction in NRW volume in Johor by end of 2018.

Management strategies to achieve business plan & objectives

Focus is directed towards 6 core areas, namely cash flow, business development, corporate governance, internal processes, technology capabilities and employee performance and satisfaction. To ensure the business is sustainable, it is crucial that the targeted profit is met and to ensure that, the company's operational costs are optimized. One of the key initiatives undertaken in 2017 was pursuing companywide cost optimisation. This has improved our financial performance to enable it be placed on a firmer footing going forward. The group revenue increased marginally to RM1.479 billion from RM1.455 billion despite non-consolidation of revenue from China of approximately RM68 million for the financial year 2017. The Group had also initiated a relocation and manpower rightsizing exercise for its power sector and corporate office.

In addition, finance cost had decreased substantially by 21.4% to RM97.7 million (2016: RM124.3 million adjusted for one-off redemption premium paid) substantially due to partial repayment of borrowings. Subsequent to the financial year end i.e. January 2018, the Group has successfully refinanced the RM800 million Sukuk Musyarakah with the issuance of RM650 million Sukuk Murabahah with a AA-IS rating, which resulted in further saving to the finance cost of the Group. Debt to equity ratio for non-recourse borrowings increased to 1.12 times from 0.93 times as a result of the issuance of the said Sukuk Murabahah, optimising capital structure of the Group.

In Malaysia, the Group is pursuing several domestic sewage treatment plant projects for property developers with the intention to reclaim the treated sewage for non-potable use i.e. for toilet flushing and other external use.

Whereas in Thailand, we will continue to leverage our good track record particularly within the Eastern Economic Corridor ("EEC"). We have established strong footing within the EEC via our success in implementing water and wastewater treatment and reclamation solutions at Amata Nakorn Industrial Estate and Amata City Industrial Park in Chonburi and Rayong, 2 of the 3 provinces identified under the EEC. Recently, the Government of Thailand has approved the much-awaited law for the development of EEC including rolling out a series of measures to spur foreign investments. This includes special incentives given by Thailand's Board of Investment such as corporate income tax exemption up to 15 years which will help to expedite the development of the 3 eastern provinces of Thailand – Chonburi, Rayong, and Chachoengsao into a hub for technological manufacturing and services by year 2021. In-line with this positive development, we are confident that our business and operation model can be replicated to support more growth of industries within EEC. Ranhill intends to expand its business in Thailand through built-operate-transfer concessions.

The group is aggressively pursuing opportunities by participating in proposals with reputable consortia in the Indo-China area with majority participating interest towards expanding our power generation footprint. A management and engineering audit was undertaken by the Energy Commission and the audit report indicated that the operations and management of both power plants owned by Ranhill in Sabah had excellent performance thus meeting the performance requirements of the licence conditions imposed on the power plants. We leverage our expertise in the operation and management of combined cycle gas turbine power plants with the identified opportunities for LNG-to-power projects which can be developed to meet the critical need for electrical power generation capacity in areas where gas supply is an issue.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL CAPABILITIES

Changes in economic & market conditions that will affect the group's operation activities

In China, the Federal Government has imposed a guideline on environmental control for all Local Governments to implement. The aim is to improve the environmental standards of all waterways. In certain areas, the Chinese Local Government has already started imposing this new requirement on the discharge of industrial and municipal wastewater treatment plant. The requirement is to discharge more stringent treated wastewater to meet Class 1A/1B discharge standards. With this requirement, we will be required to upgrade our plants with revised terms and conditions. We have already successfully upgraded our Xiao Lan from Class 2 to Class 1B and our plant in Hefei is in progress to be upgraded to Class 1A. We believe this stringent requirement will open up to more opportunities as our experience will be required to support other existing and new industrial parks. We will also set ourselves to leverage on the growth under the One Belt One Road initiative which also covers South East Asia countries.

Challenges affecting the group's operation

Raw water supplied to SAJR are at times subject to contamination, pollution and theft. Failure to source raw water from un-contaminated sources or to adequately treat contaminated water source in a cost effective and safe manner will result in material adverse effect on our business financially and operationally.

In addition to contamination, pollution and water theft, Southern Johor region is facing shortfall in raw water supply or source. We are aggressively exploring alternative water sources including ORS, recycling of wastewater, raw water transfer and underground water sources. We target to achieve production of 200 MLD through ORS, 200 MLD through recycling of water, 200 MLD through underground water and 1000 MLD through water transfer. In addition, we target to achieve 300 MLD through NRW programmes. These are our mid term and long term solutions towards solving the issue of scarcity of raw water supply in Johor. It is however to be acknowledged that the proposed solutions or approach will require large funding. To implement the ORS and water transfer programme, we require funding from the Federal Government and to undertake the recycling project, NRW programmes and the groundwater exploration, SAJR requires capital expenditures to be funded by PAAB. Nevertheless, we have good track record with PAAB.

The above programmes will enable us to bridge to 2061. In 2061 at the expiration of the Malaysia-Singapore Water Agreement, another 1000 MLD will be available from PUB Sungai Johor plant located at Sungai Johor that can supply to about 6 million population in Southern Johor region.

Whereas in Sabah, while both power plants continued to demonstrate their proven reliability in despatching power as demanded, low generation despatch affected the plants especially the Rugading Power Station as reflected in the lower electricity sold. This is due to the commencement of operations of neighbouring power plants, which affected the plants' despatch. Projections by the Energy Commission indicated that slow growth is expected in the next 3 years. Currently, the power plants in the West Coast of Sabah are exporting about 130 MW to 200 MW to the East Coast of Sabah.

A new power plant is being planned in the East Coast of Sabah and its first generating facility is expected to be completed in 2023. As a party to the consortium that will undertakes and executes the development of the said power project, we are proposing a staged development where the plant capacity is developed in phases to suit the electricity demand forecasted


Progress Data Logger Setting by NRW Team.

in order to mitigate the potential issue of low generation despatch within the Sabah electricity grid. While the situation is likely to improve as the demand for electricity grows in tandem with the development of Sabah state in the years to come, we are taking immediate steps to mitigate the risks associated with low generation despatch by renegotiating the terms of the Gas Supply Agreement to reflect and take into account the lower electricity despatch that is not within our control. In addition, we are pursuing concerted efforts in cost optimisation company wide which includes the reduction of the cost of operation and maintenance by renegotiating the terms of the Long Term Service Agreement with the contracting party.

Discontinued/aborted operations, acquisitions and disposal of assets/ business

In March 2017, our indirect wholly-owned subsidiary, RWT, terminated its contract with WRP Asia Pacific Sdn Bhd ("WRP") for the construction and supply of materials for the development of a 30 MLD water treatment plant, intake plant and pipeline. The termination of the contract by RWT was due to long delay and failure by WRP

MANAGEMENT DISCUSSION & ANALYSIS

in obtaining necessary approvals from relevant authorities for the proposed development in particular "Kebenaran Merancang" thus rendering the contracts void under the law. Termination of this contract resulted in lower than budgeted revenue by RM23.9 million that translated to a loss in gross profit of RM3.7 million. There is also risk of claims being brought by WRP against RWT on the basis of wrongful termination.

In November 2017, we entered into a Share Sale Agreement ("SSA") for the acquisition of Northern Power Group Pty Limited ("NPG"), to undertake a proposed development of a 60 MW gas-fired power generating station in the Northern Territory, Australia. However, the SSA was terminated in March 2018 as parties were unable to fulfil the conditions precedent within the stipulated timeframe. Nevertheless, the experience enabled us to familiarise with the Northern Territory electricity industry structure and prepare for future opportunities.

In 2016, we completed the disposal of the 60% interest in Ranhill Water (Hong Kong) ("RWHK") Ltd to SIIC. Subsequent to the disposal, in October 2017, our wholly-owned subsidiary, Ranhill Water Technologies (Cayman) Ltd ("RWTC"), together with RWHK and Ranhill Technologies (Shanghai) Ltd, was served with summons from the court in the People's Republic of China for a claim by Wahtoting Holding Limited ("Claimant") claiming for alleged unpaid fees in the amount of RMB19,939,799.14 pursuant to an agreement dated 19 August 2014 ("Agreement").

The claimant, was appointed by RWTC to source for a party to acquire the interest in RWHK and for the said party to form strategic partnership with RWTC. The Agreement was conditional upon key performance indicators ("KPI") to be met by the Claimant. However, the KPI were completely not met by the Claimant. As such, we are of the opinion that the Claimant has no merit and that the Claim is frivolous and baseless.

Capital Expenditure requirements, capital structure & capital management policies of the group, group's treasury policy and group's funding resources, liquidity

In order to achieve the short term goals to increase the capacity by 12 MLD in Thailand, Ranhill requires equity investment of about RM8 million which will be funded via its internally generated funds. In China, the group targets 100 MLD this year that requires equity investment of approximately RM18 million for our 40% shareholding. However, this is not required to be injected by Ranhill as we have made the necessary shareholders' advance.

FINANCIAL RESULTS, FINANCIAL POSITION & FINANCIAL CONDITION

	FY2017 RM'million	FY2016 RM'million
Revenue	**1,478.7**	1,455.1
Profit Before Tax	**198.1**	168.5
Profit Net of Tax	**120.6**	97.2
Profit Net of Tax Attributable to Owners of The Parent	**72.4**	55.3
Net dividend Payout/Proposed in Financial Year 2017	**5.0 sen**	7.8 sen
Earnings Per Share Attributable to Owners of the Parent	**8 sen**	7 sen

For financial year 2017, Ranhill made a total interim dividend payment of 3.0 sen per share and has recommended 2.0 sen per share as final dividend at the forthcoming 4th AGM. This translated into a dividend payout ratio of 61%, which is in line with the Company's dividend policy of returning 50% – 70% of earnings to shareholders.

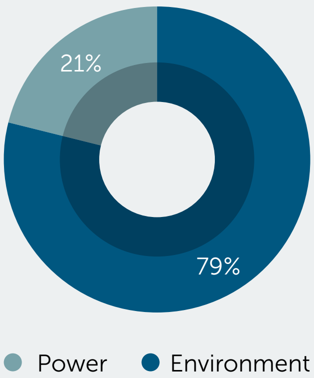
The group revenue increased marginally to RM1.479 billion from RM1.455 billion despite non-consolidation of revenue from China of approximately RM68 million for the financial year 2017.

The increase was substantially due to improved contributions from SAJR of RM48 million (RM1.132 billion (FY17): RM1.084 billion (FY16)) due to higher volume of water consumption. SAJR remains as the Group's main revenue contributor, contributing 76% to the Group revenue.

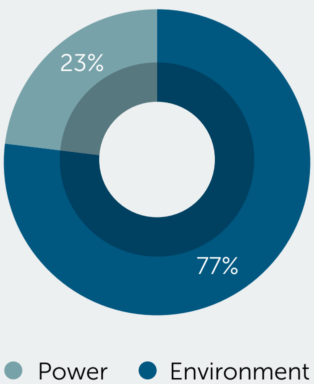
Domestic operations delivered close to 88.3% of Group's PAT with the balance 11.7% from international operations, which is forecasted to be on the uptrend.

MANAGEMENT DISCUSSION & ANALYSIS

SEGMENT REVENUE FY2017



SEGMENT PROFIT/ (LOSS) FY2017



On the back of improved revenue, coupled with reducing operational and financing costs, the Group registered an improved profit before tax ("PBT") of RM198 million, a 17.6% increase compared to the previous year, with environment sector contributing 77% of the Group's profit.

The Group posted a profit after tax of RM120.6 million and a profit after tax attributable to owners of the parent of RM72.4 million (2016: RM 55.3 million) for the financial year ended December 2017.

MATERIAL RISKS & MITIGATING STEPS

While we vigorously plan our expansion strategy, we have also anticipated some challenges and threats along with its mitigation actions. This includes a possibility of change in local laws and regulations which will be mitigated through a consistent engagement between our local counterparts with the authorities to manage such changes at an early stage. It is also anticipated that there will be risks of venturing into a new market such as Indo-China. This is being mitigated through the execution of feasibility analysis for each opportunity before it is being considered.

We will also be competing with other similar water and wastewater treatment players. Our niche to manage our competitors will be providing a total customised solution inclusive of developing the overall water and wastewater masterplan to our clients as an added service as well. As the Group aims at securing multiple new opportunities in Malaysia and Indo-China areas, there is also a challenge of inadequate resources to support the growth. This will be mitigated through proper planning in terms of manpower across the Group.

Raw water supplied to SAJR are at times subject to contamination, pollution and theft. Due to increasing challenges posed therefrom, SAJR will intensify its efforts towards improving water sustainability through exploring alternative sources of supply and efficient use of technologies to harness a more holistic approach to the management of water resources.

Efforts towards integration of potable water and non-potable water services are in progress whilst water demand management through intensive NRW reduction program and campaigns for lower water consumption are being undertaken, with a consumption target of 180 liter per capita per day by 2020.

For NRW, SAJR targets to further reduce the level to about 15% within 5 years via a comprehensive effort including the upgrading or replacement of every critical component in its network system using the latest technologies, in collaboration with RWS and an NRW specialist firm from Denmark.

EXPECTATIONS OF FUTURE RESULTS

Forward looking statement – Management's explanation of factors affecting the group's performance – factors resulting in shortfall or achievements

Power sector

The key to achieving sustainable growth is to grow profitably and we continue to look for opportunities to grow our portfolio in clean energy generation. We focus on growth areas which can provide value accretive opportunities. While continuing to explore projects involving combined cycle gas turbine power plants being our area of expertise, we are also exploring renewable energy projects such as hydro, solar and geothermal. Looking abroad, we are focusing in the high growth ASEAN region such which provide huge opportunities for electricity generation power plant projects, albeit with various challenges due to the countries' regulatory framework and structure.

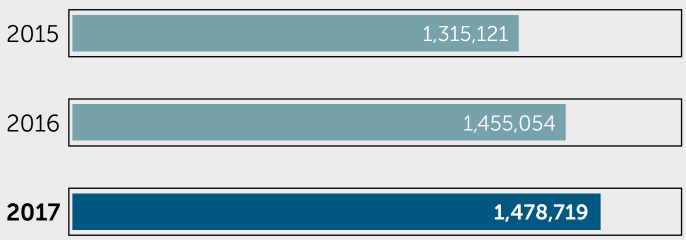
Environment sector

RWS is also exploring alternative revenues from business diversification. This is done by offering alternative services from our technical support division namely NRW management system, GIS, Network Modelling and Pressure Management.

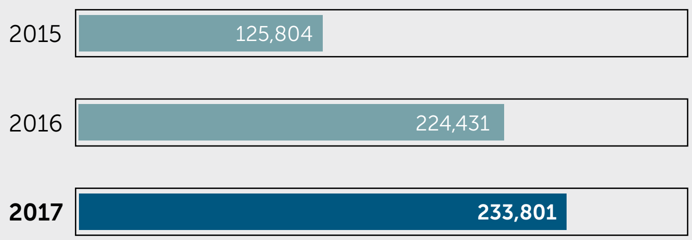
Furthermore, we are keeping ourselves abreast of the industry development and the company intends to leverage the government's incentive on NRW reduction programs in Malaysia. With that in mind, we are maintaining close relationship with the stakeholders and strengthen our presence through participations in water related events, conferences and exhibitions.

GROUP FINANCIAL HIGHLIGHTS

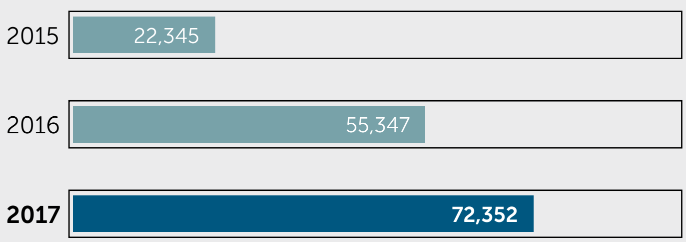
REVENUE (RM'000)



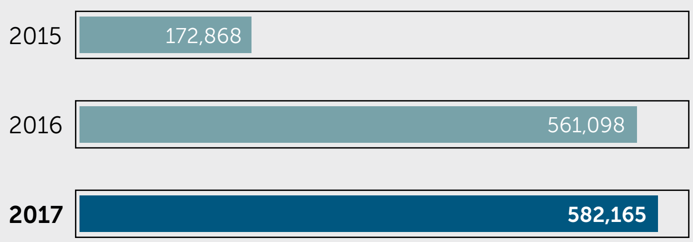
PROFIT FROM OPERATION (RM'000)



NET PROFIT FOR THE YEAR (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



As per Consolidated Audited Financial Statement

	2015 RM'000	(Restated) 2016 RM'000	2017 RM'000
Revenue	1,315,121	1,455,054	1,478.719
Profit from operation	125,804	224,431	233,801
Net Profit for the year	22,345	55,347	72,352
Weighted average number of ordinary share ('000)	565,995	822,266	888,316
Basic earnings per ordinary share (sen)	3.95	6.73	8.14
Shareholders' Equity	172,868	561,098	582,165
Net Asset per share	0.31	0.68	0.66

SUSTAINABILITY STATEMENT

SINCE ITS INCEPTION, SUSTAINABILITY HAS BEEN A CORE PHILOSOPHY OF RANHILL HOLDINGS BERHAD (“RANHILL” OR “THE GROUP”).

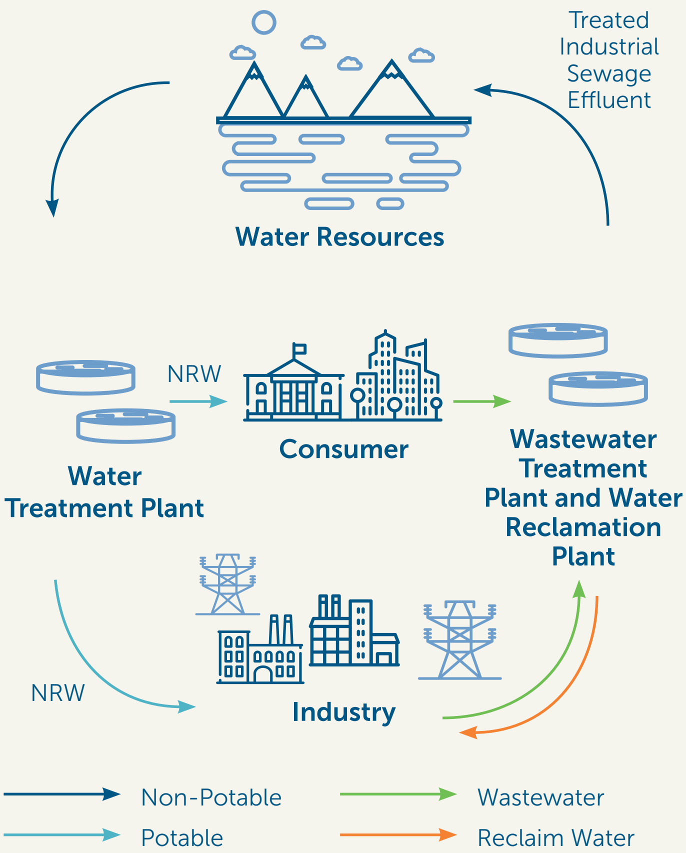
Our commitment to sustainability is clearly reflected in our vision, mission and organisational values, where enriching lives, creating positive impacts and delivering stakeholder value is given due emphasis alongside financial objectives.

We are of the view that beyond mere altruism or being a good corporate citizen, our commitment to sustainability empowers us to unlock our fullest potential and capabilities to become a regional, if not global leader in our chosen business industries of Environment (water) and Clean Energy (power).

Towards this end, the Group has remained fully committed to pursuing its sustainability agenda, reflected in the progress we have achieved in 2017. Ranhill’s approach to Sustainability is based on the Circular Economy Model.

The circular economy emphasises that resources are to be optimised – recycled and preserved and kept in use for as long as possible – extracting the maximum value while simultaneously allowing these to regenerate for future use. The Circular Economy places equal importance between people, planet and profit – to create a sustainable business model or economy.

SUSTAINABILITY STATEMENT



Guided by the International Water Association's ("IWA") guideline, "Water Utility Pathways in a Circular Economy" Ranhill's implementation of a circular economy approach is reflected in its provision of services via reclaim wastewater and water loss reduction.

At Amata Nakorn Industrial Estate in Thailand where RWT operates a wastewater treatment plant ("WWTP"), effluent from the plant enters the reclamation plant to be treated to required standard. The plant is part of the industrial park's efforts for 'zero discharge'.

Within the power segment, our Combined Cycle Gas Turbines (CCGT), Ranhill Power I ("RPI") and Ranhill Power II ("RPII") use both a gas and a steam turbine together to produce up to 50% more electricity from the same fuel than a traditional simple-cycle plant. This enables us to use fewer natural resources, while reducing our carbon footprint to clean energy for Sabah state – meeting 37% of the state's requirement for electricity.

For a truly comprehensive view of Ranhill's sustainability journey, we recommend reading our standalone Global Reporting Index ("GRI") based 2017 Sustainability Report ("SR2017") to attain a more in-depth perspective of the progress made during the year. The report is available for download via www.ranhill.com.my.

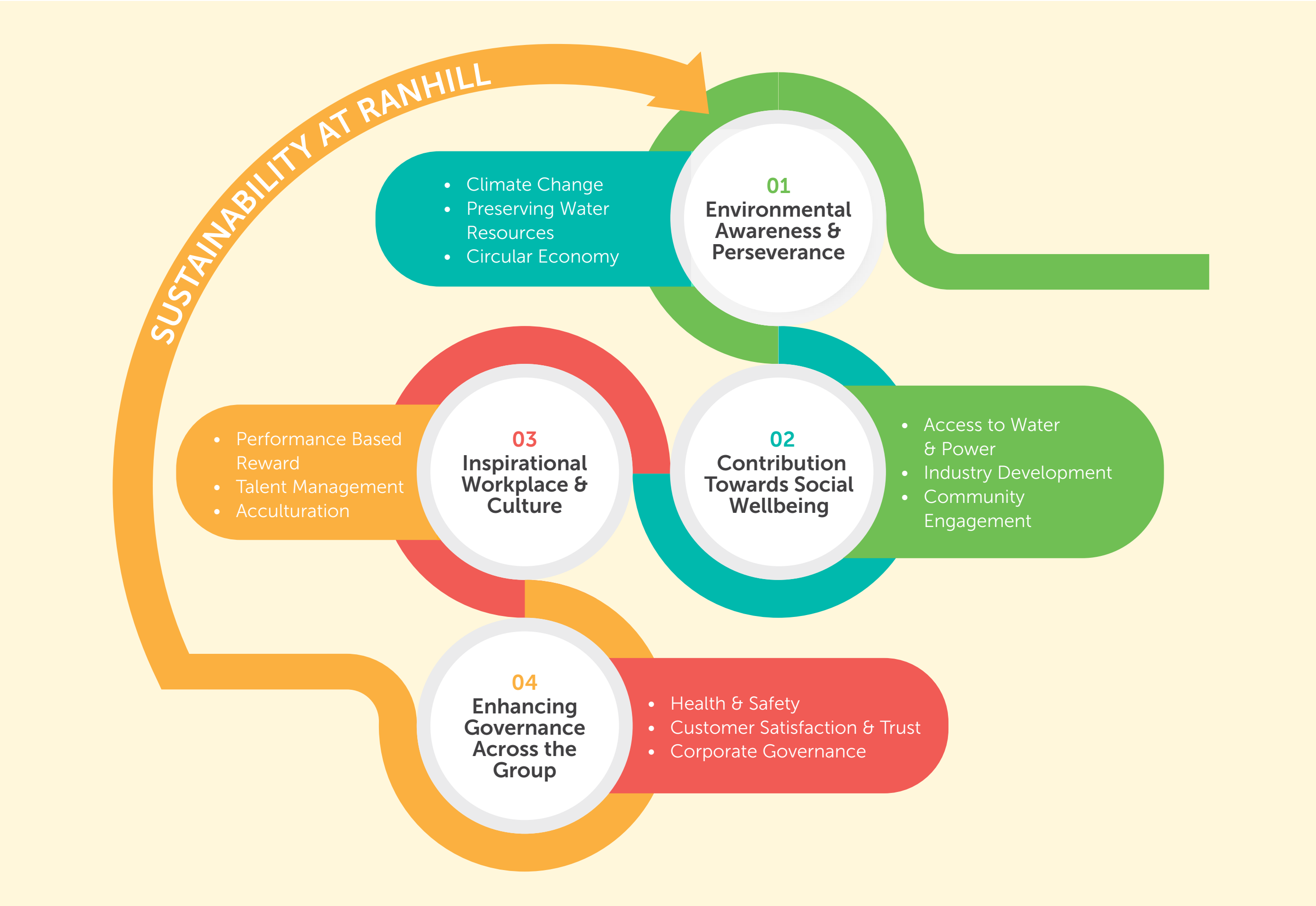
The reporting scope and period as well as material boundary for this Statement is identical to our SR2017 given that our Statement is a summary of the said report. The scope covers all key subsidiaries of Ranhill and excludes outsourced activities, joint ventures as well as entities within its value chain such as vendors and suppliers. The timeline for this Report is for the period of 1st January 2017 to 31st December 2017.

Figure 1 Reclamation plant in Amata Nakorn Industrial Estate, Thailand.

SUSTAINABILITY STATEMENT

RANHILL'S FOUR PILLARS OF SUSTAINABILITY

Based on the circular economy model, Ranhill has formulated four (4) sustainability pillars that serve as the Group's framework to effectively identify and address our specific Economic, Environmental and Social ("EES") materiality matters.



Our first pillar, **Environmental Awareness & Perseverance** focusses on minimising the Group's environmental footprint on air, water, land other natural resources. In particular, the Group is looking in managing potential climate change issues and preserving upstream and downstream water resources and channels.

The second pillar, **Contribution Towards Social Wellbeing** has been formulated to drive Ranhill's efforts in terms of social empowerment. As Ranhill pursues its business objectives, we are in a unique position to make a positive impact on the lives of many. Hence our focus on closing the infrastructure gap between urban and rural communities. As a leader in its field, the Group has also taken the initiative to share our key learnings and insights with industry peers.

The Group's third pillar – **Inspirational Workplace & Culture** is centred on developing a world-class organisational culture and work environment that allows our greatest asset; our people to flourish. This includes providing opportunities for career and personal development and creating a desirable workplace that rewards merit based on a high performance culture.

SUSTAINABILITY STATEMENT

Last but not least, the Group believes in **Enhancing Governance Across the Group**. This encompasses setting and adhering to best practices for corporate governance including risk management, corporate integrity, transparency, accountability and disclosure and so on. In line with the new Malaysia Code of Corporate Governance ("Principles") launched in April 2017, Ranhill continues to make improvements in this area.

GOVERNANCE & LEADERSHIP

Sustainability in Ranhill is given due consideration by the Board of Directors of the Group. The Board's Governance and Risk Management Committee ("GRMC") has oversight on all sustainability related matters. The GRMC's roles are:

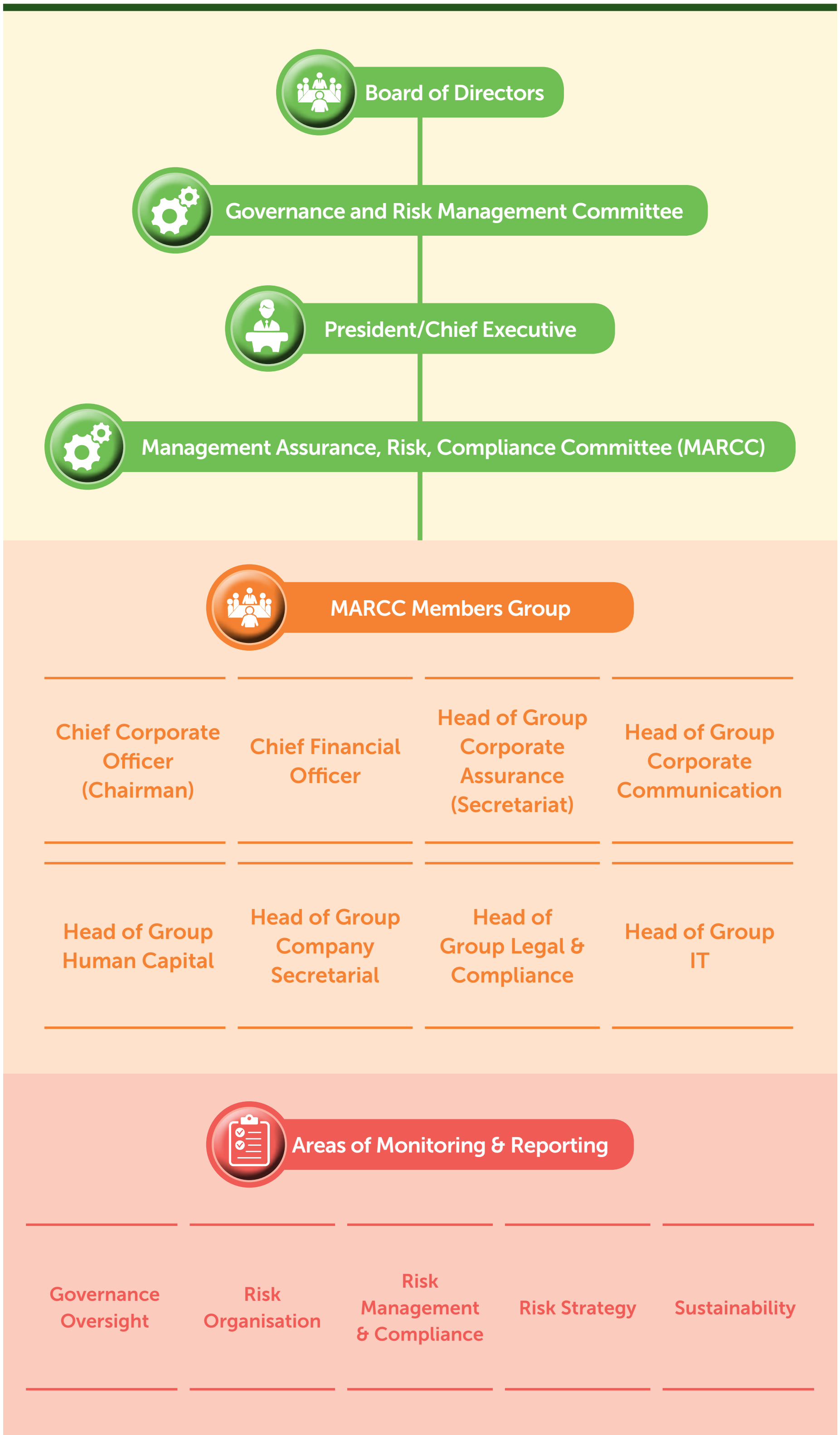
I. Review and assess sustainable impacts of major business decisions and recommend appropriate actions required;

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, to consider 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;

SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT

V. Assess the effectiveness of 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 Statement to be incorporated in the Annual Report for Board approval.

The GRMC is supported by the Management Assurance Risk Compliance Committee ("MARCC") who in turn receives input from Senior Management and Department Heads across the Group's organisational structure.

With this governance structure in place, the Group is able to effectively cascade its sustainability agenda and related strategies as well as monitor the progress made.

STAKEHOLDER ENGAGEMENT

Ranhill has continued to engage stakeholders to seek their views and perspectives as part of our sustainability journey. Stakeholder input is essential in ensuring that our identification and prioritisation of materiality matters is inclusive and accurate so that the Group can truly make progress across its Economic, Environmental and Social ("EES") pillars.

During the course of the year, we have engaged with a wide range of stakeholders who include employees, consumers, financial community, government, local communities, media, non-governmental organisations, regulators and suppliers / vendors. The full disclosure of our stakeholder engagement exercise including frequency and methods of engagement as well as key issues discussed and outcomes are given in Ranhill's SR2017 under the Stakeholder Engagement section.

MATERIALITY MATTERS

Having engaged with multiple, key stakeholders and drawing from our own internal insights and perspectives, Ranhill has developed its materiality matrix for 2017 as aligned with our four Sustainability Pillars.

Stakeholder Perspective \ Ranhill Perspective	Low	Medium	High
High			Access to water & power Water tariff Preserving water resources Corporate governance Integrity Public Health & Safety
Medium		Diversity & Inclusivity	Climate change Green House Gas (GHG) & Other Emission Capacity building Customer engagement
Low			Reducing non-revenue water (NRW) Circular economy Employee engagement

SUSTAINABILITY STATEMENT

OUR ACHIEVEMENTS

Throughout the year, the Group continues to make progress across its materiality matters. Given below is a snapshot of our achievements in reducing greenhouse gas emissions, effluents and non-revenue water loss; in reducing power consumption and more.

RPI & RPII: 3 Years of Water Consumption (m^3):

Year	RPI	RPII
2015	76,213	40,090
2016	86,165	48,117
2017	81,427	46,638

SAJ Ranhill: 3 Years of Raw Water, Treated Water, In Plant Usage & Sludge:

Year	Raw Water (m^3)	Treated water (m^3)	In Plant Usage (m^3)	Total Sludge (KG)
2015	624,442,423	591,053,251	33,389,172	82,848,276
2016	635,595,263	607,754,575	27,840,687	86,328,579
2017	644,084,373	613,206,307	30,878,066	86,502,141

Non Revenue Water Reduction

Year Achievement	2015	2016	2017
NRW Level	25.6%	25.9%	24.7%

GREEN HOUSE GAS ("GHG") EMISSIONS

3 years of total CO_2 emission (mt CO_2eq):

Performance Measure	2017	2016	2015
Total CO_2e emissions	247,202	269,268	256,825
Scope 1 CO_2e emissions	3,315.63	4,579.48	3,360.77
Scope 2 CO_2e emissions	219,688.42	242, 060.79	231,009.34
Scope 3 CO_2e emissions	24,198.15	22,627.97	22,455.09

SAJ Ranhill: 3 Years of Total Carbon Intensity (kg CO_2eq/m^3 of raw water)

Performance Measure	2017	2016	2015
Carbon Intensity	0.3415 kg	0.3590 kg	0.4114 kg

SUSTAINABILITY STATEMENT

3 Years of Total Energy Consumption GWh:

Year	SAJ Ranhill	SAJ Ranhill Headquarters	Ranhill Power I	Ranhill Power II
2015	289.092	1.545	31.998	37.849
2016	300.055	1.518	37.937	39.770
2017	292.746	1.488	40.650	38.013

3 Years of Heat Generated from Power Operations (kJ/kWh):

	2017	2016	2015
RPI	9,468.02	9,639.15	9,871.54
RPII	9,591.24	8,791.11	8,652.53

CONTRIBUTION TOWARDS SOCIAL WELL BEING & INDUSTRY KNOWLEDGE

Continuing to play our role as an active corporate citizen, we engaged with the local communities in which we operate in as well as the larger industry in which we operate in.

Beyond managing our environmental footprint, we have also looked to further develop our social footprint by increasing our engagement with local communities as well as playing an industry leadership role in the propagation of knowledge and best practices. Following is some of the key social and industry outreach activities undertaken by Ranhill in 2017.

COMMUNITY ENGAGEMENT

Our outreach activities in 2017 included a school Water Education & Conservation Programme that reached over 4,400 students across 33 schools throughout Johor state.

This programme is an on-going collaboration with key stakeholders and policymakers such as Jabatan Pendidikan Negeri Johor ("JPNJ"), Badan Kawalselia Air Johor ("BAKAJ"), SPAN and Kementerian Tenaga, Teknologi Hijau Dan Air ("KeTTHA").

The programme is aimed at inculcating the younger generation with a water conservation ethic while still in school. Importantly, we have created awareness on climate change and its impact on water bodies and the need to start being more environmentally conscious among the younger generation. The programme also aims to reduce water consumption by 20% across schools in Johor.

▲ Students getting involved in event activities during the water education and conservation programme

SUSTAINABILITY STATEMENT

We also promoted water conservation awareness to the general public – reaching over 509,640 people across 10 districts in Johor state. Public awareness on NRW was also stressed through awareness programmes to higher education institutions.

Beyond Malaysia, our Learning Centre in Amata Nakorn Industrial Estate, Thailand received over 326 visitors consisting of school and university students as well as the general public.

On a separate note, we continued to extend our water rebate programme for over 3,049 poor households in Johor State. The selected households have been verified against the State's e-kasih programme list which provides a comprehensive register of urban and rural poor and hard-core poor folks.

▲ Staff briefing visitors during our public water conservation awareness activities

CORPORATE SOCIAL RESPONSIBILITY

Among our CSR initiatives for 2017 was the cleaning-up of Likas Bay by the team at RPII Rugading Power Station. The clean-up was a collaborative effort with the Kota Kinabalu City Hall ("KKCH"). The initial effort was followed by a second cleaning effort that also saw the installation of dustbins on October 28, 2017.

During the holy month of Ramadhan, Ranhill staff undertook the Kembara Barakah initiative – reaching out to the needy to lend assistance and support. This consisted of staff making cash donations, repairing water piping and installing water-saving devices for the needy members of our society in the areas where we operate in. Efforts were also made to promote water conservation among those we supported during this campaign.

▲ Ranhill staff lending a helping hand in cleaning-up Likas Bay

In similar vein, the staff of Ranhill Power with support from the Company, successfully completed the refurbishment of an orphanage cum old folks home – the Rumah Anak Yatim and Asnaf ("RAYA") at Kg Langsat in Ranau, Sabah.

In December 2017, the Group collaborated with Yayasan Noor Al Syakur to help 152 underprivileged children from primary schools in Tumpat, Kelantan and each received a new school bag and equipment under the Back to School Charity Program 2017.

▲ Creating Sustainability Awareness Among Our Children

SUSTAINABILITY STATEMENT

▲ Dato' Seri Ir. Dr. Zaini Bin Ujang. Ketua Setiausaha. Kementerian Tenaga, Teknologi Hijau Dan Air (KeTTHA) present during the Water Conservation Exhibition

Industry Engagement

In sharing our experiences and expertise in water / power related topics and water management issues, we participated actively in various industry events such as the 7th IWA-ASPIRE Conference 2017 & Water Malaysia Exhibition 2017.

In addressing NRW loss, we engaged stakeholders across the supply chain. This included regulating bodies such as SPAN and KeTTHA. Technical training on NRW management was also conducted for water operators within Malaysia and the region.

Ranhill power continued to share its knowledge and expertise with colleges and polytechnics in Kota Kinabalu, Sabah via a series of talks and trainings. We also received technical visits from the Department of Occupational Safety and Health (JKKP), the Sabah Skills & Technology Centre and Industry Advisory Panel for Polytechnic KK, Sabah.

INSPIRATIONAL WORKPLACE & CULTURE

Ranhill continued to make progress in the nurturing and development of its most precious asset, our human capital. Our aspiration to create an inspirational workplace and culture is a pivotal component of our overall strategy for people recruitment, development, retention and reward.

In 2017, Ranhill invested RM2.37 million in staff competency development and training. Across the year, employees attended various professional and personal programmes, courses. These consisted of both technical and non-technical programmes. The Group had over 73,061 manhours in training time with the average training hour per employee (male and female) being 25 hours.

Our efforts in developing our people have been duly acknowledged. During the year, SAJR was selected as one of the HR Asia Best Companies to Work for Awards 2017 by Business Media International.

▲ CEO of SAJR, Dato' Ahmad Faizal receiving the HR Asia Best Company To Work For Awards 2017

In collaboration with Development Dimensions International (DDI), Ranhill introduced its Leadership Development Centre to evaluate our readiness against the defined Ranhill Business Drivers and Leadership Competencies. This assessment is essential to determine the development intervention requirements to elevate leadership competencies as well as to accelerate talent and capability across the Ranhill Group of companies.

SUSTAINABILITY STATEMENT

HEALTH & SAFETY

We continue to pride ourselves on having established a proven track record for Health and Safety, which has become the benchmark for the industries we operate in.

We continued to seek ways to improve our performance. The Group adheres to the Occupational Health and Safety Assessment Series, (OHSAS 18001) certification with nine (9) locations under SAJR and two (2) locations under RP in compliance with the standard.

In addition, SAJR and RWT has upgraded its certification to ISO 9001:2015 by SIRIM Malaysia and UKAS in December 2017. The certification since 2008 testifies RWT's commitment to the highest quality standards and ensuring paramount attention to clients' requirements.

LOST TIME INJURY (LTI)*

2017	2016	2015
12	3	7

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

SAJR:
- SAJR 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

* Data verified by CAD

ENHANCING GOVERNANCE ACROSS THE GROUP

The Group continues to align itself with the stipulated practices in the new Malaysia Code of Corporate Governance ("Principles") which was launched in April 2017. The Board has a defined Board Charter with each Board Committee having its own respective Terms of Reference. The Group is also guided by the following policies:

- Code of Conduct and Business Ethics
- Business Continuity Management
- Third Party Dealings
- Risk Management
- Fraud and Whistleblowing
- Corporate Disclosure

Group subsidiary, SAJR has published its Customer Charter and signed the government's Corporate Integrity Pledge ("CIP") as the company's commitment to guarantee the best service to its customers. During the year, there were no cases of whistleblowing or fraud reported. The Group's commitment to Corporate Governance is also extended to 3rd parties.

SAJR policies and procedures are in accordance with the provisions in the Water Services Industry Act (WSIA) 2006 and subsidiary laws. Water supply services agreements signed between customers and SAJR clearly states the responsibilities of the water distribution licensee and customers' obligations. The Company's policies and procedures are consisted with SPAN.

In the power segment, RP adheres to the Gas Supply Agreement (GSA) with Petronas and Contractual Service Agreement with GE.

In ensuring price competitiveness and fair competition, the concept of open tender is always adopted with regards to selection of contractors and suppliers.

Customer Engagement (Customer Satisfaction & Trust)
Generally SAJR respondents have rated their satisfaction in the moderate to high satisfaction area. For 2017, the Customer Satisfaction Index is 87.18.

BOARD OF DIRECTORS

From left to right:

1. ABU TALIB ABDUL RAHMAN
2. LOONG MEI YIN
3. LIM HUN SOON @ DAVID LIM
4. DATO SRI LIM HAW KUANG
5. TAN SRI AZMAN YAHYA
6. DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI
7. TAN SRI SAW CHOO BOON
8. LEOW PEEN FONG
9. TAN SRI HAMDAN MOHAMAD
10. DATUK ABDULLAH KARIM
11. DATO' ZULKIFLI IBRAHIM

BOARD OF DIRECTORS

Ethnicity

Malay
6

Chinese
5

Nationality

11

Gender

9

2

Age Group

41-50 1

51-60 2

61-70 7

71-80 1

BOARD OF DIRECTORS' PROFILE

TAN SRI AZMAN YAHYA

Chairman/Non-Independent Non-Executive Chairman

Age 54

APPOINTED TO THE BOARD

01/09/2014

BOARD MEETINGS ATTENDED

11/11

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
- Sime Darby Berhad

In addition, he serves on the following organisations:

- Motorsports Association of Malaysia (Chairman)
- Sepang International Circuit Sdn Bhd (Chairman)

BOARD OF DIRECTORS' PROFILE

TAN SRI HAMDAN MOHAMAD

Executive Director/President and Chief Executive

Age 62

APPOINTED TO THE BOARD

01/12/2015

BOARD MEETINGS ATTENDED

* 10/10

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

Note:

** Excluded 1 board meeting held which he had abstained from attending due to his interest on the related party proposal*

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 Ranhill Holdings Berhad's Executive Director on 1 December 2015.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Senai Desaru Expressway Berhad

BOARD OF DIRECTORS' PROFILE

DATO SRI LIM HAW KUANG

Executive Director

APPOINTED TO THE BOARD

01/09/2014

BOARD MEETINGS ATTENDED

9/11

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 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, 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. From 2011 till 2016, he was 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 (Redesignated as Senior Independent Non-Executive Director with effect from 1 December 2017)

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

BOARD OF DIRECTORS' PROFILE

TAN SRI SAW CHOO BOON

Senior Independent Non-Executive Director

Age 72

APPOINTED TO THE BOARD

01/09/2014

BOARD MEETINGS ATTENDED

10/11

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 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 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 globalisation 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. 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 Insurance Berhad
- Digi.Com 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) as the Co-Chairman
- Federation of Malaysian Manufacturers Council (President)
- Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia

BOARD OF DIRECTORS' PROFILE

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

Age 63

APPOINTED TO THE BOARD

01/12/2015

BOARD MEETINGS ATTENDED

9/11

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee (Chairman)

QUALIFICATION

- Bachelor of Arts 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 started his career with KPMG (previously Peat Marwick Mitchell) in the United Kingdom. He returned to Malaysia in 1982 to continue with KPMG. He had 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. David 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. David Lim was reappointed for a third term in Council in early 2017.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Manulife Holdings Berhad
- Ann Joo Resources Berhad
- Sasbadi Holdings Berhad
- Kawan Food Berhad
- Affin Hwang Investment Bank Berhad
- Affin Investment Berhad
- Manulife Insurance Berhad
- Rockwills Trustee Bhd
- Fairview Schools Berhad

BOARD OF DIRECTORS' PROFILE

DATUK SERI DR. NIK NORZRUL THANI NIK HASSAN THANI

Independent Non-Executive Director

APPOINTED TO THE BOARD

01/12/2015

BOARD MEETINGS ATTENDED

9/11

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

- T7 Global Berhad
- Chin Hin Group Berhad
- Asia Institute of Finance Berhad
- BNM Kijang Berhad
- Amanah Saham Nasional Berhad

BOARD OF DIRECTORS' PROFILE

DATO' ZULKIFLI IBRAHIM

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 began his career with the National Electricity Board (now known as TNB) in 1979. He has over 11 years' experience in 6 power plant construction and commissioning as well as maintenance of 4X300 MW oil/gas/coal fired power plants in Malaysia. Whilst in TNB, he was sent to Germany, France and Japan for extensive training in power plant technology including an attachment programme with Parsons, a steam turbine manufacturer in UK under the CBI scholarship.

After leaving TNB, he had a further involvement in development and subsequent operations and maintenance of the 1303 MW combined cycle Lumut Power Plant now known as Segari Power Plant, where he was responsible in the setting up of the successful O&M company, Teknik Janakuasa. Sdn Bhd. In 1997, he was appointed as Chief Operating Officer ("COO") of Malakoff Berhad where he leads another 2 power plant projects as well as overseas power plant development in Pakistan, India and Phillipines. He also leads in Malakoff 40% acquisition of 1240 MW Kapar Power Plant.

He left Malakoff in 2002 to lead the successful development of 2100 MW Tg. Bin coal fired power plant and later the 1400 MW Jimah Coal fired power plant where he was the Managing Director before his retirement in 2014. He had then a total of 11 power plant projects totaling more than 8000 MW.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

BOARD OF DIRECTORS' PROFILE

ABU TALIB ABDUL RAHMAN

Independent Non-Executive Director

Age 65

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. He has since 1 January 2017 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

LOONG MEI YIN

Non-Independent Non-Executive Director

Age 48

APPOINTED TO THE BOARD

16/11/2016

BOARD MEETINGS ATTENDED

* 8/10

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

Note:

* *Excluded 1 board meeting held which she had abstained from attending due to her interest on the related party proposal*

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. Cheval is presently a Major Shareholder of Ranhill.

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 and drive growth and expansion.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

BOARD OF DIRECTORS' PROFILE

LEOW PEEN FONG

Independent Non-Executive Director

Age 61

APPOINTED TO THE BOARD

02/03/2018

BOARD MEETINGS ATTENDED

Not applicable

QUALIFICATION

- Bachelor of Arts (Economics) Universiti Malaya
- Diploma in Public Administration, INTAN
- Master of Arts (Development Economics), Williams College, USA
- Advanced Management Program, INSEAD

SKILLS AND EXPERIENCE

Leow Peen Fong brings with her over 30 years of technical and managerial experience . She first started in the Ministry of Health from 1981 to 1988 and later served under the Ministry of Finance (MOF) from 1988 to 2007. At MOF, she held various technical and management roles in several divisions including the Finance and the MOF Inc Companies Coordinating, Privatisation and Public Enterprises Division where she was involved with the restructuring of the public transport sector, corporate debt restructuring of several privatized projects during the Asian financial crisis of 1997/1998 and the water industry reforms. Following her involvement with the water industry reforms from its conception she was appointed as the Director of Regulatory Reforms & Integration Division of the Suruhanjaya Perkhidmatan Air Negara ("SPAN"), the national regulator for water services, in 2007 and promoted to Executive Director, Economic and Social Regulatory Department (2011-2016) and Chief Operating Officer (2016-2017). At SPAN she was involved in determining the policy and direction as well as the implementation of the Malaysian water services industry reforms under the framework of the Water Services Industry Act 2006.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

BOARD OF DIRECTORS' PROFILE

DATUK ABDULLAH KARIM

Independent Non-Executive Director

Age 66

APPOINTED TO THE BOARD

31/03/2017

BOARD MEETINGS ATTENDED

9/10

BOARD OF COMMITTEE MEMBERSHIPS

- Nominating And Remuneration Committee (Member)

QUALIFICATION

- Bachelor of Science degree in Mechanical Engineering from University of Western Australia
- Diploma in Gas Engineering from 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 Petroliam Nasional Berhad ("PETRONAS") which he joined in 1977. From July 2012 till his retirement in July 2016, he was Vice President (VP)/Venture Director, LNG Projects where he was tasked to oversee the design and construction of two offshore Floating LNG Plants (FLNG); and the additional onshore LNG Plant (Train-9) in Bintulu, Sarawak.

Datuk Abdullah has also served as Project Engineer (1981) and General Manager Engineering Division (1991) of PETRONAS Carigali Sdn Bhd . He became the Executive Assistant to the President of PETRONAS (1994) after which he was the MD/CEO of OGP Technical Services an Engineering and Project Management subsidiary company of PETRONAS until 1999.

In 1999, he became the MD/CEO of Malaysia LNG Group of Companies, responsible for marketing of LNG and the operations of PETRONAS LNG Complex in Bintulu. During his tenure, the Company had successfully built the additional third LNG Plant in the Complex.

He was also VP, Exploration & Production Business (2004), before being appointed in 2007 as the 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 till 2012.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Icon Offshore Berhad
- Uzma Berhad

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 16 April 2018; 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 2017.

KEY SENIOR MANAGEMENT'S PROFILE

DATUK IR. MUSTAZA SALIM

Chief Corporate Officer

Age: 61; **Gender:** Male

Nationality: Malaysian

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 SAJR. 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

Age: 48; **Gender:** Male

Nationality: Malaysian

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, RM800 million Sukuk Musharakah issued by Ranhill Group Sdn Bhd and RM650 million Sukuk Murabahah issued by SAJ Capital Sdn Bhd.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

KEY SENIOR MANAGEMENT'S PROFILE

DATO' AHMAD FAIZAL ABDUL RAHMAN

Chief Executive Officer,
SAJ Ranhill Sdn Bhd

Age: 49; **Gender:** Male

Nationality: Malaysian

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 Faizal 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 SAJR and was appointed as CEO on 31 March 2017.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

KHAIRUL EFFENDY TUSAM

Chief Executive Officer,
Ranhill Water Services Sdn Bhd

Age: 46; **Gender:** Male

Nationality: Malaysian

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 SAJR as the Head of Contract Section, where he managed all SAJR'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

KEY SENIOR MANAGEMENT'S PROFILE

IR. DR. ZAHRUL FAIZI HUSSIEN

Chief Executive Officer, Ranhill Power Division

Age: 46; **Gender**: Male

Nationality: Malaysian

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 conferences and journals. In 2007, he was awarded Tokoh Pekerja Lelaki (Anugerah Harapan) by Ministry of Human Resource, Malaysia, conferred by former Prime Minister Dato' Seri Abdullah Ahmad Badawi.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

NARENDRAN MANIAM

Chief Executive Officer, Ranhill Water Technologies Sdn Bhd

Age: 42; **Gender**: Male

Nationality: Malaysian

DATE OF APPOINTMENT

1 June 2017

QUALIFICATION

Bachelor of Engineering (Civil) and Masters of Engineering (Civil-Environmental) from University Technology of Malaysia. He obtained Sewage Works Engineering Certificate from Japan International Cooperation Agency (JICA) in 2003

WORKING EXPERIENCE

Narendran Maniam, has over 20 years of combined professional experience in Strategic Planning, Business Development, Planning of Water and Wastewater Infrastructure and Operations of Wastewater Services. He started his career in IWK as a Planning Engineer, and was exposed to various planning and strategic tasks for all 13 Sewerage projects funded by the Japan Bank for International Co-operation. He was also involved in Environmental Services Program funded by USAID on the sanitation sector for selected cities in Indonesia, carried out sewerage catchment strategies and coordinated the updates to the Ministry of Energy, Water and Communications on the 8th and the 9th Malaysian Plan national sewerage projects.

Subsequently, Narendran joined Ranhill Utilities Sdn Bhd ("RUSB") in 2005 as Assistant Manager of Business and progressed up to Senior Manager. In 2016, he was promoted to take up a bigger role in Ranhill Holdings Berhad in which he was appointed as General Manager, Strategic Planning & Business Development. He was appointed as Chief Executive Officer, Ranhill Water Technologies Sdn Bhd in June 2017.

He obtained his Bachelor of Engineering (Civil) and Masters of Engineering (Civil-Environmental) from University Technology of Malaysia. He also obtained Sewage Works Engineering Certificate from Japan International Cooperation Agency (JICA) in 2003.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE AT RANHILL

Ranhill Holdings Berhad ("Ranhill" or "the Group") is committed to a high level of corporate governance which is essential for sustainable long-term performance and value creation.

Our Corporate Governance Overview Statement ("CG Overview" or "Statement") sets out the principles and features of the Group's corporate governance framework and practices. Essentially this Statement illustrates how throughout the financial year, the Group has exemplified corporate governance practices based on the following set principles:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders

The Statement has been prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") and it is to be read together with the Corporate Governance Report 2017 ("CG Report") for Ranhill which is available via: www.ranhill.com.my.

The CG Report sets out how Ranhill has applied each Practice of the new Malaysian Code of Corporate Governance 2017 ("MCCG"). In particular, the Group has endeavoured to improve its CG practices and overall disclosure. This includes identifying and enhancing internal CG practices and establishing milestones or deadlines for improvements to existing CG practices or in adapting new ones in line with the MCCG.

BOARD LEADERSHIP AND EFFECTIVENESS

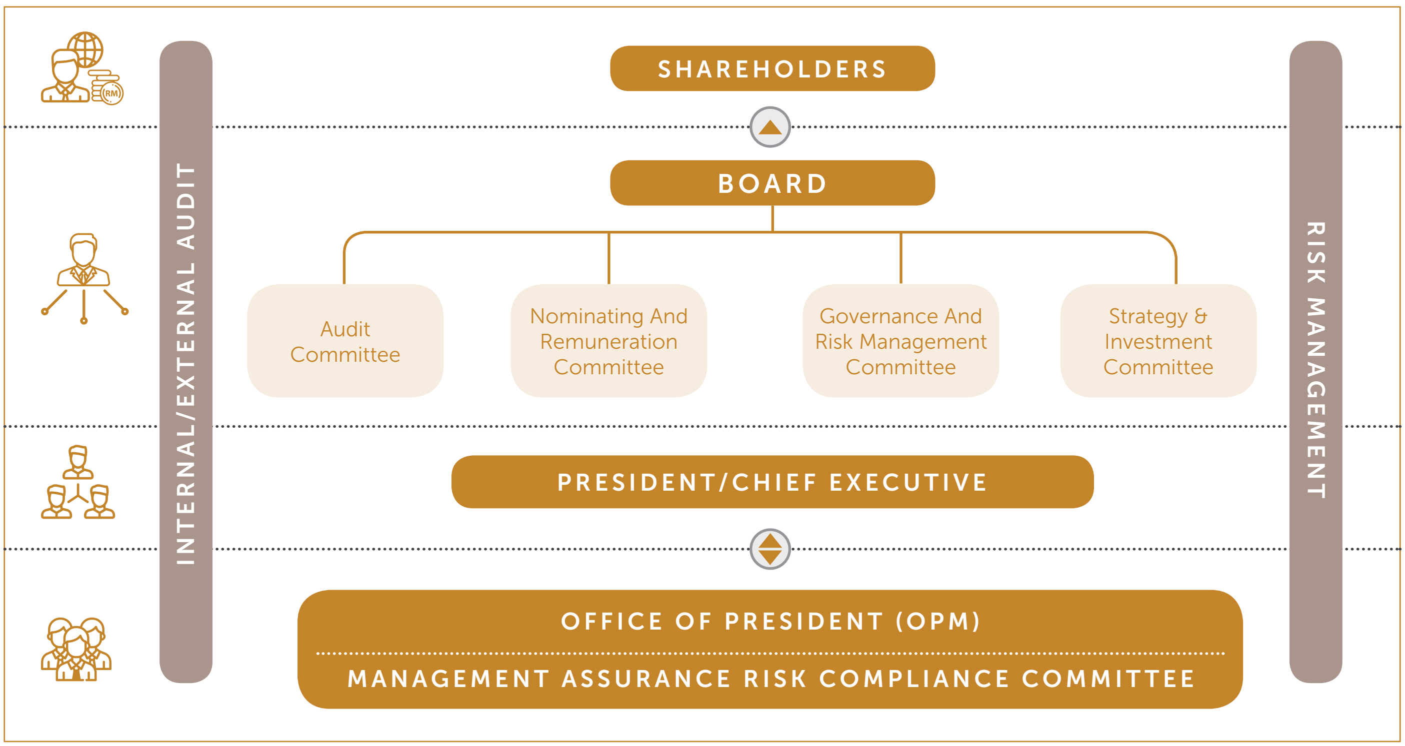
I. BOARD RESPONSIBILITIES

GOVERNANCE FRAMEWORK

The Board's responsibilities are well illustrated by its governance framework as well as its Board Charter.

The Board remains committed to its role as the highest decision making and stewardship body of the Group. It is responsible for charting the strategic direction of the Group, in safeguarding shareholder value and interest, achieving an appropriate balance between long-term growth and short-term business targets and playing a leadership role in the cultivation of desired corporate culture.

CORPORATE GOVERNANCE MODEL



CORPORATE GOVERNANCE OVERVIEW STATEMENT

In supporting the Board to effectively discharge its duties, the Group has put in place a formalised governance framework. The framework defines how Ranhill will deliver its business objectives and the boundaries within which Ranhill employees are expected to conduct themselves professionally. It establishes a common approach to how we operate, irrespective of geographical location.

Ranhill's corporate governance model serves as a guidance framework. The framework is augmented by a set of guidelines, policies, procedures and our corporate values which help to cultivate good corporate governance within the Group:

- Board Charter (inclusive of Terms Of Reference ("TOR") for all respective Board Committees
- Ranhill Authority Manual ("RAM")
- Code of Conduct & Business Ethics ("CCBE")
- Fraud & Whistleblowing Policy
- Corporate Disclosure Policy

BOARD CHARTER

The Board has adopted a formalised Charter which spells out the roles and responsibilities of Directors in discharging their fiduciary duties towards the Group. The Charter also addresses Board balance and composition, Board's authorities, schedule of matters reserved for the Board, the establishment of 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 Charter may be viewed at www.ranhill.com.my.

FORMAL SCHEDULE OF MATTERS RESERVED FOR THE BOARD

There is a formal schedule of matters reserved for the Board except if it chooses to delegate authority to its respective Board Committees or Senior Management. In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for its decision:

BOARD'S ROLES & RESPONSIBILITIES

Appointing and removing of the President / Chief Executive ("PCE"), any other executive directors and the Company Secretary and determining of their remuneration and conditions of service;	Appointing the Chairman of the Board;
Approving senior management succession plans and significant changes to organisational structure;	Approving policies of company-wide or general application;
Authorising the issue of shares, options, equity instruments or other securities;	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;
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;	Appointing directors who will come before shareholders for election at the next annual general meeting;
Authorising expenditures which exceed the PCE's delegated authority levels;	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;
Approving strategic plans, annual business plans and budgets; approving the acquisition, establishment, disposal or cessation of any significant business of the company;	Setting up of Subsidiary, Joint Venture, Strategic Alliance and Partnership; and
Approving dividends;	Board Charter and Terms of Reference of Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SEPARATION OF THE ROLES OF CHAIRMAN AND THE PRESIDENT / CHIEF EXECUTIVE

The Group practices a clear delineation of responsibilities and power between the Chairman and the President / Chief Executive. Both positions are held by different individuals to ensure effective check and balance to prevent the accumulation of excessive power and authority with a single individual or post. Responsibilities of Chairman and President / Chief Executive are as follows:

Chairman	President / Chief Executive
Lead the Board in setting the values and ethical standards of Ranhill.	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.
Chair the board meetings and stimulating debates on issues and encouraging positive contributions from each board member.	Develop and recommend to the Board the operational plan and budget to realisation of the Group's long-term strategy.
Consult with the Company Secretary in setting the agenda for board meetings and ensuring that all relevant issues are on the agenda.	Recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management.
Maintain a relationship of trust with and between the PCE and Non-Executive Directors.	Formulate and oversee implementation of major corporate policies.
Ensure the provision of accurate, timely and clear information to Directors.	Reporting to the Board with regards to financial performance and other relevant matters.
Ensure effective communication with shareholders and relevant stakeholders.	Refer to the Board Committees on matters as requested.
Facilitate effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings.	Supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group.
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.	Ensure the efficiency and effectiveness of the operation for the Group.
	Assess business opportunities which are of potential benefit to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD ACTIVITIES AND TASKS IN 2017

In 2017, the Board reviewed, deliberated and approved, where specifically required, the following:-

Financial & Operations

- Financial results including audit related matters
- Financial and operation performance against Budget, cash flow, proposed dividends
- Recurrent related party transactions as recommended by the Audit Committee
- Performance Bonus and Annual Salary Increment for FY2016
- Relocation of the Corporate headquarters and the Employees Separation Exercise
- Refinancing of the RM800 million Murabahah Sukuk

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 second year as a listed company:-
  - Enhanced Ranhill Authority Manual
  - P&P on Donations
  - Risk and Incident Escalation P&P
- Matters relating to the AGM 2017 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 controls as detailed on pages 62 to 64 of the Annual Report

II. BOARD COMPOSITION

BOARD COMPOSITION AND INDEPENDENCE

BOARD COMPOSITION

The Board comprises 11 members with two (2) Executive Directors and nine (9) Non-Executive Directors, seven (7) of which are independent. The Independent Directors make up more than half of the Board, as recommended by the MCCG 2017. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out in the Board of Directors' Profiles section in this Annual Report on pages 34 to 44.

Currently, no alternate Directors have been appointed in respect of any of the Directors.

The directors on the Board collectively have a combination of skills and experience in the competencies set out in the table below. 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.

COLLECTIVE SKILLS & COMPETENCE OF THE BOARD

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

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.

Via its Nominating and Remuneration Committee ("NRC"), the Board conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity and independence in judgement and perspectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD DIVERSITY

During the financial year, the Board had one sitting female Director, Ms. Loong Mei Yin who was appointed in November 2016. She presently serves as a Non-Independent and Non-Executive Director who serves as a member of the Strategy and Investment Committee. In reflecting its spirit of ensuring greater women participation at the highest decision making body of the Group, on 2nd March 2018, Ranhill appointed its second female Director, Ms. Leow Peen Fong as an Independent Non Executive Director. The profile of Ms Leow Peen Fong is given in the Directors Profile Section on page 43 of this annual report.

BOARD INDEPENDENCE

The independence of a director is assessed in accordance with Ranhill's Policy on Independence of Directors, which is detailed in the Board Charter. The Board reviews the independence of directors before they are appointed, on an annual basis and at any other time where the circumstance of a director changes and reassessment is warranted.

The Board considers all relevant facts and circumstances including the said Director (s) professional and personal relationships. Relationships that the Board will take into consideration when assessing Director's 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.

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.

INDEPENDENT DIRECTORS

The Board is cognisant on the importance of Non-Executive Directors, who provide objectivity, impartiality and independent judgement to ensure that there is an adequate check and balance on the Board.

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgement on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Group's decision making by bringing in the quality of detached impartiality.

During the year, the NRC has assessed the independence of the Independent Directors based on criteria set out in the Listing Requirements. The Committee is satisfied with the level of independence demonstrated by all Independent Directors and their ability to act in the best interest of the Group. In justifying the decision, the NRC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence.

The Board also has a policy where the tenure of Independent Directors is limited to a cumulative term of nine (9) years with the view to enable the Board's continuous refreshment to maintain its effectiveness. After which, the said Independent Director may continue to serve on the Board upon his / her being re-designated as a Non-Independent Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Currently, none of the Independent Non-Executive Directors of Ranhill have served the Board for nine years. The Board also believes that the current Board composition is appropriate for its purpose, and is satisfied that it adequately safeguards the interests of minority shareholders of the Group.

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.

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.

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 4th AGM.

Therefore, in accordance with Articles 101 and 84, the following Company Directors will retire and being eligible, will offer themselves for re-election:

- Tan Sri Azman Yahya
- Mr Lim Hun Soon @David Lim
- En Abu Talib Abdul Rahman
- Ms Leow Peen Fong

The NRC has reviewed the performance and contribution of the said Directors seeking re-election. The Board will recommend them for re-election into office.

BOARD EFFECTIVENESS

BOARD PERFORMANCE EVALUATION

Annually, the Chairman of the Nominating & Remuneration Committee and supported by the Company Secretary conduct a Board Performance Evaluation exercise to independently assess the performance of every member of the Board. The criteria for evaluation are given in the Board Charter which is available at www.ranhill.com.my.

INDUCTION AND PROFESSIONAL DEVELOPMENT

New directors are briefed by the PCE and senior executives and will make visit(s) 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, 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.	P2P/Crowd Funding/Crowdsourcing
2.	Blockchain Technology and Potential Use in Financial Services
3.	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability
4.	Promoting Prosperity by Improving Women's Rights

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Training/seminar/forum/conferences
5.	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability
6.	Impact of Ethnicity and Class on Productivity
7.	SSM National Conference – Companies Act from Policies to Implementation
8.	Fraud Risk Management Workshop
9.	Seminar on Business Ethics and Integrity: Key to Sustainability in the Digital Economy
10.	National Convention on Good Regulatory Practice (GRP) 2017
11.	Global Standards (GS1) Summit
12.	ASEAN Economic Conference
13.	MFRS 9: Board of Directors and Board Audit Committee Status Update
14.	Compliance Conference 2017
15.	Companies Act 2016-Key Changes and Implications to Board
16.	Cyber Security Workshop 2017: Cyber Security Essential For Board of Directors of Capital Market Intermediaries
17.	FDE Forum – 3rd Distinguished Board Leadership Series: Cryptocurrency & Blockchain Technology, Viewpoints of an Entrepreneur
18.	MFRS 9: Status Update KPMG
19.	AMLATFPUAA 2001: Risk Challenges & Vulnerabilities Towards Risk Based Approach
20.	FIDE Forum – 2nd Securities Commission: Leveraging Technology for Growth
21.	MFRS 9: Status Update
22.	Half Day Talk: The Implication of MFRS 9 on Business Strategy & Cybersecurity Risk Implications
23.	Common Reporting Standard
24.	Talk by Tan Sri Azman Yahya on "Leadership Essentials"
25.	Luncheon Talk on "How conglomerates in Southeast Asia can live long and prosper"
26.	Global Emerging Markets Regulatory Conference 2017
27.	Release of the Malaysian Code on Corporate Governance
28.	Directors' Training on "Sustainability Statement – The Way Forward"

No.	Training/seminar/forum/conferences
29.	Global Transformation Forum (GTF 2017) C-Suite Series: "Marketing in Turbulent Times"
30.	Luncheon Talk "Re-thinking Development Choices"
31.	International Investment Fund Forum 2017
32.	PNB IMD Seminar: Value creation & business partnering
33.	Capital Market Director Program
34.	Director's Continuing Education Programme 2017
35.	14th Kuala Lumpur Islamic Finance Forum 2017 (KLIFF 2017)
36.	9th International Conference on Financial Crime and Terrorism Financing
37.	Sukuk Model Law Project, Regional Consultations in South East Asia
38.	Asia-Pacific Financial Forum (APFF) Conference on Developing a Work Program for the Islamic Infrastructure Investment Platform (I3P)
39.	The IFSB Summit 2017 - "Reinvigorating the Momentum of Islamic Finance: Solidifying Resilience and Sustaining Growth"
40.	Invest India Conference 2017

III. REMUNERATION

BOARD REMUNERATION

Ranhill's Remuneration Policy for Non-Executive Directors is based on attracting, retaining, motivating and fairly remunerating individuals based on the following criteria:

- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

DIRECTORS REMUNERATION

For 2017, the details of the Directors' remuneration received during the financial year is summarised below:

	Company					Subsidiaries		Group Total
	Fees RM'000	Salaries & Bonus RM'000	Benefits-in-kind RM'000	Others RM'000	Company Total RM'000	Salaries & Bonus RM'000	Others RM'000	RM'000
Executive Directors								
Tan Sri Hamdan Mohamad	-	2,564	55	942	3,561	1,965	524	6,050
Dato Sri Lim Haw Kuang	-	4,252	-	250	4,502	-	-	4,502
Total		6,816	55	1,192	8,063	1,965	524	10,552
Non-Executive Directors								
Tan Sri Azman Yahya	180	-	-	37.5	217.5	-	-	217.5
Tan Sri Saw Choo Boon	144	-	-	30	174	-	-	174
Abu Talib Abdul Rahman	162	-	-	40.5	202.5	-	-	202.5
Lim Hun Soon @ David Lim	170	-	-	36	206	-	-	206
Datuk Seri Dr Nik Norzrul Thani	162	-	-	33.5	195.5	-	-	195.5
Datuk Zulkifli Ibrahim	144	-	-	24.5	168.5	-	-	168.5
Datuk Abdullah Karim	108	-	-	20	128	-	-	128
Izaddeen Daud	108	-	-	15.5	123.5	-	-	123.5
Loong Mei Yin	*144	-	-	21	165	-	-	165
Total	1,322	-	-	258.5	1,580.5	-	-	1,580.5

*Note: The director's fees to Loong Mei Yin is paid/payable to TAEL One Partners Ltd (as general partner of The Asian Enterpreneur Legacy One, L.P.)

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee ("AC") provides oversight of the Group on matters delegated by the Board through its approved Terms of Reference. The AC comprises exclusively of Independent Directors. The AC Chairman is a member of the Malaysian Institute of Accountants.

Among its responsibilities include ensuring that the financial statements of the Company and Group have been made out in accordance with the provisions of the Companies Act 2016 and applicable accounting standards; and that these provide a balanced and fair view of the financial state and performance of the Group.

AC meetings are normally attended by the President / Chief Executive (PCE), Chief Financial Officer (CFO), 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. The full scope of work undertaken by the AC is given in the AC report on page 60 of this annual report.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group for FY2017, Ranhill has applied the appropriate accounting standards and policies with consistency in the preparation of these financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Companies Act, 2016 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 66 to 71 and the Financial Statements set out on pages 78 to 192 of this Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

RISK MANAGEMENT AND INTERNAL AUDIT

RISK MANAGEMENT

The Board maintains a sound risk management framework and system of internal control to safeguard shareholders' investment and the Group's assets. The framework is designed to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The Board has also established its Governance Risk Management committee ("GRMC") to identify principal risks and recommend policies and parameters for the key risks profile / register and overall risk strategy linking to value creation and the strategic objectives of the Group.

The Board is of the view that the system of internal control and risk management put in place during 2017 is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management on page 62 to 64 of this Annual Report.

GOVERNANCE AND RISK MANAGEMENT COMMITTEE

The GRMC serves the Board by providing in-depth governance of risk for the Group. Its Terms of Reference can be found on the Board Charter which is available at www.ranhill.com.my. Among its duties as prescribed under the TOR are:

- Applying the principles and good practices of corporate governance, sustainability and corporate responsibility to ensure compliance with applicable regulatory and legal requirements.
- Fulfilling 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 effective Fraud & Risk Management Programme is implemented and monitors its compliance.

The GRMC's composition and attendance of meetings is as follows:

Name	Attendance
Tan Sri Saw Choo Boon *(Chairman / Senior Independent Non-Executive Director)*	3/3
Dato Sri Lim Haw Kuang *(Member/Executive Director)*	2/3
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani *(Member/Independent Non-Executive Director)*	2/3
Abu Talib Abdul Rahman *(Member/Independent Non-Executive Director)*	3/3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTERNAL AUDIT

Ranhill's Group Corporate Assurance Division ("GCAD") serves as the internal audit function of Ranhill. Independent of the external audit function, GCAD provides independent, regular and systematic reviews of the internal control, risk management and governance processes within the Group. In preserving independence, the Head of GCAD functionally reports to the AC Chairman and administratively to the PCE.

During the financial year, audit assignments were carried on all major subsidiaries with observations reported and presented to the AC. The total costs incurred for the internal audit function for FY2017 was RM1.8 million (FY2016: RM1.9 million).

A comprehensive view of the Internal Audit function is provided in the Audit Committee's Report on page 60 of this annual report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. STAKEHOLDER COMMUNICATION

The Board continues to place importance on the need to maintain timely and meaningful communication and relationships with stakeholders. The Group believes that updating stakeholders on developments and opening two-way communication channels is beneficial to the Group while instilling greater confidence among stakeholders.

This includes audited quarterly and annual financial results, the publishing of the Group's annual report, holding briefing with analysts, engaging in media relations activities as well community outreach initiatives and more.

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.

The corporate disclosure policy also sets out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders. Information is also made available on the Group's website in a timely fashion. This includes financial results, company announcements and other relevant disclosures as and when required.

Ranhill's website has a "Contact" page which allows shareholders to submit questions or comments directly to the Group. There is also a whistleblowing page which provides details on the appropriate communication channels to whistleblow. Investors can also register for news alerts on Ranhill via its Investor Relations webpage.

STAKEHOLDER RELATIONSHIP

However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

In FY2017, several briefings with investors and analysts were held. The Group also had received media exposure via media relations activities which included issued press statements, interviews and press conferences. The Board believes its practices in this area are consistent with ensuring dialogue with shareholders and good corporate governance.

II. CONDUCT OF GENERAL MEETINGS

SHAREHOLDER PARTICIPATION AT GENERAL MEETING

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 able to register their voting instructions electronically.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Copies of the Chairman's and the PCE's keynote message to stakeholders 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 2017 AGM and are expected to attend the 2018 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.

Shareholders are encouraged to ask questions and communicate their expectations and possible concerns on proposed resolutions and matters relating to Group operations before putting resolution to a vote.

To maintain transparency and to effectively address any matters and concerns, the Group has a dedicated electronic mail, i.e. ir.info@ranhill.com.my to which stakeholders can direct their queries.

This CG Overview Statement was approved by the Board of Directors of Ranhill Holdings Berhad on 5 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The issuance of Sukuk of up to RM650.0 million in nominal value under the Shariah principle of Murabahah ("Sukuk Murabahah") to be guaranteed by the Company has been completed on 26 January 2018. The status of the utilisation of proceeds from the issuance of the Sukuk Murabahah as at 31 March 2018 is set out below:-

Purpose	Proposed Utilisation (RM' mil)	Actual Utilisation (RM' mil)	Balance Unutilised (RM' mil)	Remarks
Part finance the redemption of Existing Securities	410	410	0	Completed
For additional payments arising from the redemption of the Existing Securities	25	25	0	Completed
For general corporate purposes of the Ranhill Group which are Shariah Compliant, which include present and future capital expenditure and working capital for the businesses, projects and investments as well as general funding requirements of the Ranhill Group	175	15	160	-
To fund the Financial Service Reserve Account	25	18	7	Completed
Other fees and expenses related to Sukuk Murabahah	15	13	2	Completed

2. AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditor, Messrs. Ernst & Young, for the financial year ended 31 December 2017 are as follows:-

Fees Paid/Payable to Messrs Ernst & Young	Group RM'000	Company RM'000
Audit fees	1,410	98
Non-Audit Fees	155	0
Total	1,861.3	372.2

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

AUDIT COMMITTEE REPORT

Audit Committee Composition and Meetings Held

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.

The AC composition, type of directorship and attendance of meetings held in financial year ended 31 December 2017 (FY2017) are set out below:

Membership Committee	Committee Attendance
Lim Hun Soon @ David Lim (Chairman/ Independent Non-Executive Director)	8/8
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani (Member/ Independent Non-Executive Director)	8/8
Abu Talib Abdul Rahman (Member/ Independent Non-Executive Director)	8/8

The composition of the AC is in line with Paragraph 15.09 of the Main Market Listing Requirement (MMLR) of Bursa Malaysia Securities Berhad where:

- All AC members are Independent Non-Executive Directors;
- No alternate director is appointed as 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), Head of Group Corporate Assurance and upon invitation, the External Auditors.

The Company Secretary acts as secretary to the AC. Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC Meeting and subsequently presented 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.

Summary of Work

The AC's activities during 2017 comprised the following:

1. **Financial Reporting**
   a. The AC 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.

AUDIT COMMITTEE REPORT

2. External Audit (EA)

a. The AC reviewed year-end financial statement presented by the External Auditors, Ernst & Young. The review 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.

b. The AC reviewed the EA's 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).

c. The AC had requested management to negotiate the audit fees and reviewed by the AC.

d. The AC had held one discussion with the EA without the presence of the President/Chief Executive, management and Internal Auditors to ensure an adequate level of cooperation between the EA and management.

e. The AC had reviewed the performance and conduct of the EA, in particular on their ability to provide objectivity and independence in the execution of their duties. It has also evaluated the audit quality and resource capacity of the EA.

3. Internal Audit

a. The Internal Audit function is undertaken by the Group Corporate Assurance Division (GCAD). The AC reviewed and approved the annual internal audit plan, key performance indicators stipulated in the Balanced Scorecard, budget and staffing requirements of the GCAD to effectively discharge its auditing function on the Group.

b. The AC 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.

c. The AC also 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

a. The AC reviewed and deliberated on 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.

b. The AC also reviewed and recommended to the Board for approval, the Management Discussion and Analysis, Statement on Risk Management and Internal Control and the Audit Committee Report for publication in the Annual Report 2017.

Internal Audit Function

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. The Head of GCAD functionally reports to the AC Chairman and administratively to the President/Chief Executive.

GCAD is also responsible for the administration of 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 2017, GCAD has conducted 29 Internal Audit (IA) engagements and 8 follow-up audits. These engagements were carried out based on the annual audit plan approved by the AC and covered key subsidiaries of the Group, namely SAJ Ranhill Sdn Bhd, Powertron Group, Ranhill Water Technology Sdn Bhd and Ranhill Water Services Sdn Bhd.

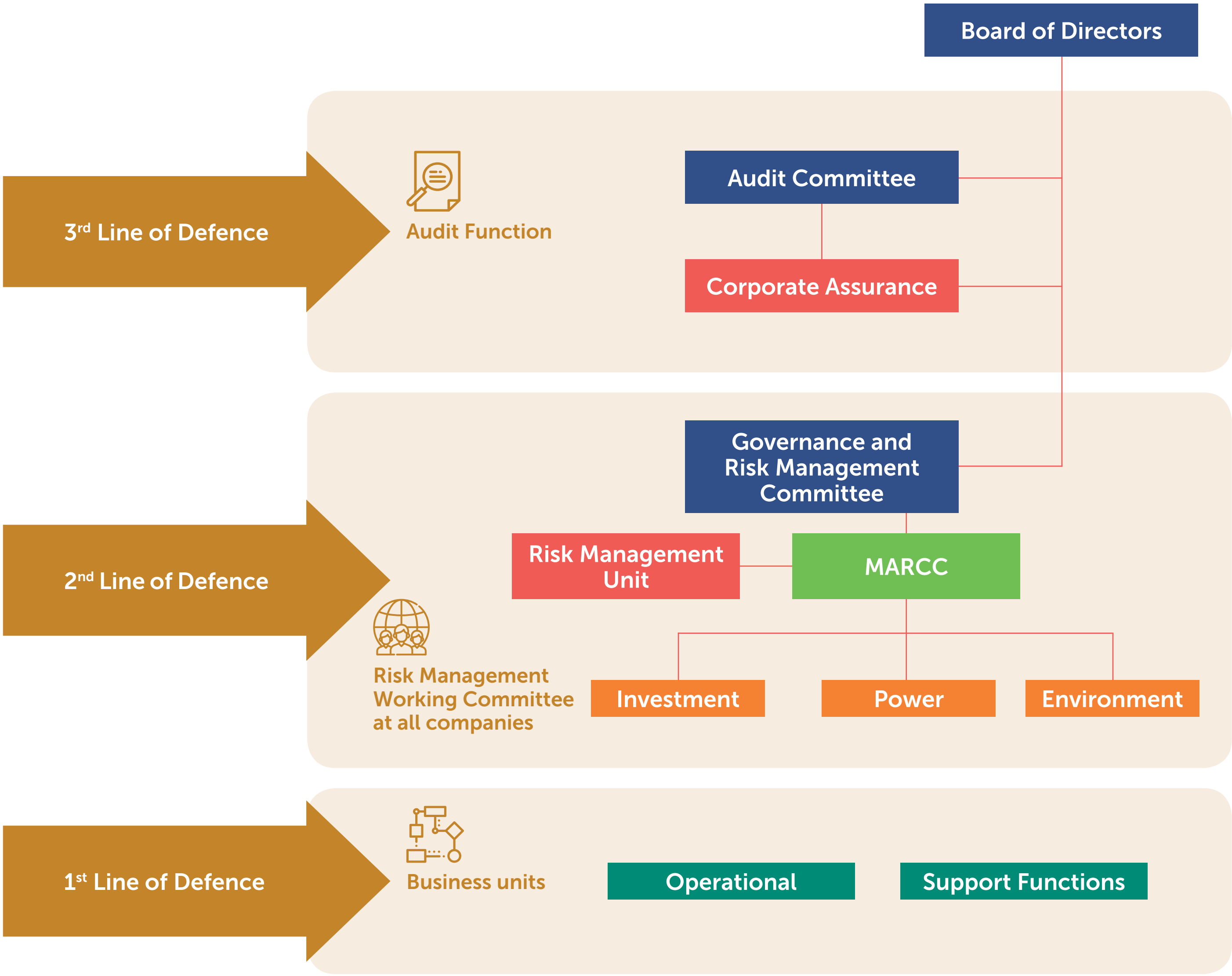
Audit observations on key control issues arising from the aforesaid IA engagements were reported and presented to the AC together with the agreed upon Management action plans. GCAD also monitors and provides updates to the AC on the status and progress of the action plans undertaken by the Management.

The total costs incurred for the IA function for the financial year ended 31 December 2017 amounted to RM1.8 million as compared to RM1.9 million in 2016.

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

THREE LINES OF DEFENCE

Our risk management framework and its processes are regularly reviewed. The system 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.

The Management Assurance Risk Compliance Committee (MARCC), chaired by the Chief Corporate Officer 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 together with quarterly compliance report are reviewed by MARCC prior to presentation to GRMC. During the current financial year, the Chairman of MARCC reports the risk and compliance matters to the Governance and Risk Management Committee.

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.

Key Group Policies

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

a) **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.

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

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

d) **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.

e) **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.

f) **Business Continuity Management (BCM) policy** and procedure provides guidelines in managing and minimizing business interruption due to any disaster. For major disasters, each operating unit has its own Emergency Response Plan.

g) **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.

h) **The Corporate Disclosure policy** and procedures provides guidance and structure in disseminating corporate information to, and dealing with shareholders, stakeholders, media representatives, analysts and the investing public. Also, it provides guidance to the Board, management and employees on the Company's disclosure requirements and practices.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SECOND LINE OF DEFENCE: RISK MANAGEMENT FUNCTION

The second line of defence comprises of Risk Management Working Committee (RMWC) at the respective Group Company which submit the risk profile, substantial risk of the company and the RMWC minutes of meeting to Risk Management Unit (RMU) of Group Corporate Assurance Division on a quarterly basis. The GRMC has an oversight function to ensure that the risk management framework is managed effectively and efficiently. During the GRMC meeting, the Chairman of MARCC i.e. the Chief Corporate Officer (CCO) of Ranhill Holdings Bhd is required to report on the significant risks that impacts the Group. GRMC reviews and assesses the management action plans in mitigating the significant risks.

The Management Assurance Risk Compliance Committee (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 actions 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 a 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 Audit Committee on a regular basis. GCAD has a functional reporting line to the Audit Committee and administratively reports to the 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 Audit and Assurance Practice Guides 3 ("AAPG 3"), 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 2017, 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.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the 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 5 April 2018.

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 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The principal activities and other information of the subsidiaries, joint venture and associates 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	120,576	85,441
Profit attributable to:		
Owners of the parent	72,352	85,441
Non-controlling interests	48,224	-
	120,576	85,441

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.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
Third interim single-tier dividend of 2.0 sen per share on 888,315,767 ordinary shares, declared on 28 February 2017 and paid on 29 March 2017	17,766
Fourth interim single-tier dividend of 2.0 sen per share on 888,315,767 ordinary shares, declared on 28 April 2017 and paid on 16 June 2017	17,766
In respect of the financial year ended 31 December 2017:	
First interim single-tier dividend of 1.0 sen per share on 888,315,767 ordinary shares, declared on 13 November 2017 and paid on 13 December 2017	8,883
	44,415

DIRECTORS' REPORT

DIVIDENDS (CONT'D)

The Board of Directors had on 16 January 2018, declared a second interim tax exempt single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM17,766,000 and paid on 14 February 2018. The financial statements for the current financial year do not reflect this second interim dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

At the forthcoming Annual General Meeting, a final tax exempt single-tier dividend in respect of the financial year ended 31 December 2017, of 2.0 sen per share on 888,315,767 ordinary shares, amounting to a dividend payables of RM17,766,000 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 2018.

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 Bin 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 Bin Nik Hassan Thani	
Dato' Zulkifli Bin Ibrahim	
Abu Talib Bin Abdul Rahman	
Loong Mei Yin	
Datuk Abdullah Karim	(Appointed on 31 March 2017)
Leow Peen Fong	(Appointed on 2 March 2018)
Izaddeen Daud	(Appointed on 31 March 2017, resigned on 9 January 2018)

**Tan Sri Hamdan Mohamad is also a director of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since beginning of the financial year to the date of this report (not including Tan Sri Hamdan Mohamad listed above) are:

Nadzrim Bin Abdul Hamid	
Choo Chee Keen	
Dato' Harun Ismail	
Christopher Ng Chung Yee	
Zurina Binti Abdul Rahim	
Dato' Dr Shahir Bin Nasir	
Dato' Ali Bin Bahari	
Dato' Haji Obet Bin Tawil	
Datuk Mustaza Bin Salim	
Datuk Ir. Hasni Bin Mohamad	
Datuk Au Kam Wah	
Dato' Ahmad Faizal Bin Abdul Rahman	(Appointed on 18 September 2017)
Datuk Seri Kamarudin Bin Ambok	(Appointed on 1 March 2017)
Datuk Ir. Abdul Kadir Bin Mohd Din	(Appointed on 25 April 2017)
Zahrul Faizi Bin Hussien	(Resigned on 15 January 2017)
Khairul Effendy bin Tusam	(Resigned on 31 January 2017)

DIRECTORS' REPORT

DIRECTORS (CONT'D)

Shamsul Fahmi Bin Mohamad Padzli	(Resigned on 31 January 2017)
Ooi Kok Ping	(Resigned 20 January 2017)
Koh Boon Sian	(Resigned 20 January 2017)
Khaisri Utaiwan	(Resigned 6 July 2017)
Teh Kai Joo	(Appointed 20 January 2017, resigned 6 July 2017)
Narendran Maniam	(Appointed on 6 July 2017)
Supasak Chirasavinuprapand	(Appointed on 6 July 2017)
Abinash Majhi	(Appointed on 27 December 2017)
Praphant Asavaaree	(Appointed on 27 December 2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement 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 below) 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.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	1,533	1,322
Other emoluments	1,307	1,123
Salaries and bonus	8,781	6,816
Defined contribution plan	457	328
Benefits-in-kind	55	55
	12,133	9,644

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Group maintains on a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in discharging their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2017 was RM222,610.

The directors and officers shall not be indemnified by such insurance for any deliberate negligence, financial, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, 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			
	At 1.1.2017	**Acquired**	**Sold**	**At 31.12.2017**
Direct interest:				
Ordinary shares of the Company				
Tan Sri Mohamed Azman Bin Yahya	1,500,000	-	-	1,500,000
Tan Sri Hamdan Mohamad	20,550,000	19,820,000	-	40,370,000
Dato' Zulkifli Bin Ibrahim	150,000	-	-	150,000
Abu Talib Bin Abdul Rahman	27,000	-	-	27,000
Deemed interest:				
Ordinary shares of the Company				
Tan Sri Mohamed Azman Bin Yahya	24,159,400[(1)]	-	-	24,159,401[(1)]
Tan Sri Hamdan Mohamad	277,060,098[(2)]	-	19,820,000	257,240,098[(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 8(4) of the Companies Act 2016.

(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 8(4) of the Companies Act 2016 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 8(4) of the Companies Act, 2016.

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

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 or 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 or of the Company which has arisen since the end of the financial year.

(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 or 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.

SUBSEQUENT EVENTS

Details of the events occurring after the reporting date are disclosed in Note 49 to the financial statements.

DIRECTORS' REPORT

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young		
- Malaysia	1,028	98
- Member Firms of Ernst & Young Global	382	-
Other auditors	33	-
	1,443	98

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2018.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

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 78 to 192 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2018.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

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 78 to 192 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 5 April 2018.

Choo Chee Keen

Before me,

PESURUHJAYA SUMPAH
No. J115
NAMA: ABD KARIM BIN
ABD RAHMAN
MALAYSIA

47-02, Jalan Susur Larkin
Perdana Satu, Larkin Perdana,
80350 Johor Bahru

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 2017 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 78 to 192.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and 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 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group 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.

Impairment assessment of intangible asset - service license

(Refer Note 15 – Intangibles, Note 2.10 (b) – Summary of significant accounting policies:
Intangible assets – Service license and Note 2.12 – Summary of significant accounting policies: Impairment of non-financial assets)

INDEPENDENT AUDITORS' REPORT

Impairment assessment of intangible asset - service license (cont'd)

The Group is required to perform annual impairment assessment on its service license which involves the comparison of the recoverable amount of the related cash generating unit ("CGU") to the carrying amount of the service license.

The Group estimated the recoverable amount of the CGU using value-in-use (VIU) method. Estimating the VIU involves discount ing to its present value the estimated future cash inflows and outflows that will be derived from the CGU 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.

In addressing this area of audit focus, we involved our internal valuation experts where, amongst others, we evaluated and assessed:

- the methodology and approach used, considering whether they are consistent with generally accepted models;
- the key assumptions used, particularly the forecasted revenue growth, cost escalations, profit margin and long term industry 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
- 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.

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

(Refer Note 4 – Revenue, Note 2.28 (i)(a) – Revenue Recognition)

The Group recognised water revenue of RM1.1 billion, representing 73% of the total revenue of the Group.

The Group relies on its information technology system (the "IT System") to account for its water revenue, which includes the water billing information system. The IT systems processes large volumes of data comprising of individually low value transact ions. 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 IT System and key controls which the management rely to account for its water revenue, where we 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
- 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.

INDEPENDENT AUDITORS' REPORT

Revenue recognition on sale of treated water ("water revenue") (cont'd)

We also performed the following:

- tested the reconciliation between water billing information system and general ledger;
- evaluated management's estimation of unbilled revenue by comparing such amount to the billings raised subsequent to the reporting period; and
- performed three way correlation analysis between revenue, trade receivables and cash and analytical review on the movement of water revenue year on year and throughout the year under review against our understanding of the business.

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 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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

Auditors' responsibilities for the audit of the financial statements (cont'd)

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.

- 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

INDEPENDENT AUDITORS' REPORT

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chong Tse Heng
03179 / 05 / 2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
5 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000 (Restated)	RM'000	RM'000
Revenue	4	1,478,719	1,455,054	102,900	114,850
Cost of sales	5	(1,014,862)	(1,036,467)	-	-
Gross profit		463,857	418,587	102,900	114,850
Other items of income					
Interest income	6	59,960	83,487	30	1,001
Other income	7	17,974	38,822	989	-
Other items of expense					
Administrative expenses		(244,808)	(229,628)	(18,242)	(15,353)
Other operating expenses		(1,476)	(947)	-	-
Tendering and marketing expenses		(1,739)	(2,403)	-	-
Finance costs	8	(97,709)	(142,149)	(25)	(15)
Zakat		(1,139)	(5,212)	-	-
Share of profit of a joint venture		-	8,353	-	-
Share of results of associates		3,178	(375)	-	-
Profit before tax	9	198,098	168,535	85,652	100,483
Income tax expense	12	(77,522)	(71,345)	(211)	(4)
Profit net of tax		120,576	97,190	85,441	100,479
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(5,642)	14,476	-	-
Recycled foreign currency translation to profit or loss	18(c)	-	(16,881)	-	-
Share of other comprehensive loss of an associate		(3,438)	(683)	-	-
Remeasurement of defined benefit liability	28	2,763	-	-	-
Total other comprehensive loss		(6,317)	(3,088)	-	-
Total comprehensive income for the year		114,259	94,102	85,441	100,479

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
			(Restated)		
Profit net of tax attributable to:					
Owners of the parent		72,352	55,347	85,441	100,479
Non-controlling interests		48,224	41,843	-	-
		120,576	97,190	85,441	100,479
Total comprehensive income attributable to:					
Owners of the parent		65,482	52,259	85,441	100,479
Non-controlling interests		48,777	41,843	-	-
		114,259	94,102	85,441	100,479

		Group	
		2017	**2016**
			(Restated)
Earnings per share attributable to owners of the parent			
- Basic and diluted, for the year (cents)	45	8	7

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
Non-current assets					
Property, plant and equipment	13	589,486	575,250	455	559
Service concession assets	14	-	300,039	-	-
Intangibles	15	294,209	295,193	-	-
Finance lease receivable	16	508,356	552,580	-	-
Deferred tax assets	17	167,664	215,787	-	-
Investment in a subsidiary	18	-	-	1,195,000	1,195,000
Investment in a joint venture	19	5	5	5	5
Investment in associates	20	172,176	152,134	-	-
Operating financial assets	21	63,597	64,258	-	-
Trade and other receivables	22	71,158	72,188	-	-
		1,866,651	2,227,434	1,195,460	1,195,564
Current assets					
Finance lease receivable	16	44,224	41,038	-	-
Trade and other receivables	22	276,917	331,453	139,202	102,226
Operating financial assets	21	4,212	7,253	-	-
Inventories	23	81,512	75,562	-	-
Tax recoverable		4,894	3,479	-	12
Other current assets	24	31,633	28,229	-	-
Other financial assets	26	11,442	14,175	-	-
Deposits, cash and bank balances	27	411,165	460,269	243	188
		865,999	961,458	139,445	102,426
Total assets		2,732,650	3,188,892	1,334,905	1,297,990
Current liabilities					
Retirement benefit obligations	28	10,729	7,065	-	-
Finance lease payables	29	1,454	1,632	106	100
Short term borrowings	30	117,326	94,450	-	-
Zakat	31	9,526	8,699	-	-
Trade and other payables	32	362,127	416,966	17,608	21,619
Other current liability	33	-	5,229	-	-
Service concession obligations	34	-	333,401	-	-
Tax payable		2,197	983	-	-
		503,359	868,425	17,714	21,719
Net current assets		362,640	93,033	121,731	80,707

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
			(Restated)		
Non-current liabilities					
Retirement benefit obligations	28	77,396	85,808	-	-
Finance lease payables	29	2,868	2,478	292	398
Long term borrowings	30	1,040,214	1,155,943	-	-
Trade and other payables	32	19,070	86,523	-	-
Consumer deposits	35	238,613	180,354	-	-
Deferred tax liabilities	17	72,987	65,017	-	-
		1,451,148	1,576,123	292	398
Total liabilities		1,954,507	2,444,548	18,006	22,117
Net assets		778,143	744,344	1,316,899	1,275,873
Equity attributable to owners of the parent					
Share capital	36	1,275,319	888,316	1,275,319	888,316
Share premium	37	-	387,003	-	387,003
Other reserves	38	(693,154)	(714,221)	41,580	554
		582,165	561,098	1,316,899	1,275,873
Non-controlling interests		195,978	183,246	-	-
Total equity		778,143	744,344	1,316,899	1,275,873
Total equity and liabilities		2,732,650	3,188,892	1,334,905	1,297,990

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	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 2017	888,316	387,003	22,721	1,063	(906,015)	168,010	561,098	183,246	744,344
Total comprehensive income	-	-	(9,080)	-	-	74,562	65,482	48,777	114,259
- Unwinding on interest expense on CULS attributable to non-controlling interests	-	-	-	-	-	-	-	(189)	(189)
- CULS interest paid to non-controlling interests	-	-	-	-	-	-	-	(1,450)	(1,450)
- Effect on disposal of a subsidiary (Note 18(b))	-	-	-	-	-	-	-	(806)	(806)
- Dividends on ordinary shares (Note 39)	-	-	-	-	-	(44,415)	(44,415)	(33,600)	(78,015)
- Effect of implementation of the Act (Note 36)	387,003	(387,003)	-	-	-	-	-	-	-
At 31 December 2017	1,275,319	-	13,641	1,063	(906,015)	198,157	582,165	195,978	778,143

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2017

	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, restated (Note 18(c))	-	-	(3,088)	-	-	55,347	52,259	41,843	94,102
Total comprehensive income (restated)	565,995	339,597	22,721	1,063	(906,015)	201,766	225,127	253,259	478,386
- 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 (Note 18(c))	-	-	-	-	-	-	-	(65)	(65)
- Effect on disposal of a subsidiary (Note 18(c))	-	-	-	-	-	-	-	41	41
- Dividends on ordinary shares (Note 39)	-	-	-	-	-	(33,756)	(33,756)	(68,250)	(102,006)
At 31 December 2016	888,316	387,003	22,721	1,063	(906,015)	168,010	561,098	183,246	744,344

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 2017

	Attributable to equity holders of the Company			
	Non-distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Company				
At 1 January 2017	888,316	387,003	554	1,275,873
Total comprehensive income for the year	-	-	85,441	85,441
Transaction with owners				
Dividends on ordinary shares (Note 39)	-	-	(44,415)	(44,415)
Effect of the implementation of the Act (Note 36)	387,003	(387,003)	-	-
At 31 December 2017	1,275,319	-	41,580	1,316,899
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

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 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	198,098	168,535	85,652	100,483
Adjustments for:				
Depreciation of property, plant and equipment	48,245	47,866	120	71
Net gain on disposal of property, plant and equipment	(144)	(291)	-	-
Property, plant and equipment written off	706	21	-	-
Amortisation of service concession asset	323,830	300,049	-	-
Amortisation of software	1,309	2,381	-	-
Amortisation of operating rights	64	125	-	-
Negative goodwill on acquisition	-	(438)	-	-
Waiver of costs incurred in prior years	(5,253)	-	-	-
Share of profit of a joint venture	-	(8,353)	-	-
Share of results of associates	(3,178)	375	-	-
Provision for retirement benefit plan	8,604	8,853	-	-
Net bad debts written-off	182	203	-	-
Zakat	1,139	5,212	-	-
Loss on deemed disposal	-	6,473	-	-
Gain on disposal of subsidiaries	(242)	(25,143)	-	-
Bad debts recovered	-	15	-	-
Allowance for impairments				
- Trade receivables	4,947	1,985	-	-
- Other receivables	-	2,256	-	2,256
Net unrealised foreign exchange gain	(686)	(3,099)	(51)	-
Provision for liquidated ascertained damages	746	2,965	-	-
Dividend income	-	-	(102,900)	(114,850)
Interest income	(59,960)	(83,487)	(30)	(1,001)
Reversal of impairment in other receivables	(938)	-	(938)	-
Interest expense	97,709	142,149	25	15
Operating profit/(loss) before working capital changes carried forward	615,178	568,652	(18,122)	(13,026)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes brought forward	615,178	568,652	(18,122)	(13,026)
Receivables	30,586	(323)	50,913	(483,806)
Payables	32,979	(166,607)	13,755	81,923
Inventories	(6,050)	18	-	-
Finance lease receivables	84,168	84,168	-	-
Operating financial asset	7,341	(9,415)	-	-
Other current asset	(8,633)	286	-	-
Cash generated from/(used in) operations	755,569	476,779	46,546	(414,909)
Retirement benefits plan paid	(10,588)	(7,925)	-	-
Zakat paid	(312)	(5,455)	-	-
Tax paid	(21,927)	(21,607)	(199)	(16)
Repayments of lease rental payable to PAAB	(428,089)	(291,597)	-	-
Net cash generated from/(used in) operating activities	294,653	150,195	46,347	(414,925)
Cash flows from investing activities				
Purchase of property, plant and equipment	(61,711)	(44,460)	(16)	(84)
Proceeds from disposal of property, plant and equipment	404	336	-	-
Net cash outflow on acquisition of remaining share of RWTC	-	(115,321)	-	-
Net cash inflow on disposal of subsidiaries (Note 18 (b))	815	135,608	-	-
Disposal of short term investments	2,733	4,767	-	-
Purchase of software	(373)	(36)	-	-
Addition of service concession asset	(23,791)	-	-	-
Investment in a joint venture	-	(5)	-	(5)
Dividend received	-	4,449	16,000	24,000
Interest received	12,215	37,401	30	1,001
Net cash (used in)/generated from investing activities	(69,708)	22,739	16,014	24,912

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from financing activities				
(Placement)/withdrawal of fixed deposits with banking facilities	(94,640)	70,144	-	-
Finance lease principal repayments	(1,651)	(1,404)	(125)	(63)
Repayment of borrowings	(96,788)	(419,068)	-	-
Proceeds from issuance of shares	-	386,785	-	386,785
Share issurance expense	-	(10,050)	-	(10,050)
Drawdown of term loans	938	1,664	-	-
Payment of premium on early loan redemption	-	(17,890)	-	-
Dividends paid	(96,031)	(84,240)	(62,181)	(15,990)
Interest paid	(80,046)	(118,118)	-	-
Net cash (used in)/generated from financing activities	(368,218)	(192,177)	(62,306)	360,682
Net (decrease)/increase in cash and cash equivalents	(143,273)	(19,243)	55	(29,331)
Effect of exchange rate changes on cash and cash equivalents	(471)	(1,216)	-	-
Cash and cash equivalents at beginning of year	285,086	305,545	188	29,519
Cash and cash equivalents at year end (Note 27)	141,342	285,086	243	188
Plant and equipment were acquired by way of the following means:				
Cash	61,711	44,460	-	84
Finance lease	2,330	1,496	-	546
	64,041	45,956	-	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 2017

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 Bangunan SAJ Ranhill, Jalan Garuda, Larkin, 80350 Johor Bahru, Johor.

The principal activity of the Company is that of investment holding. The principal activities and other information of the subsidiaries, a joint venture and associates 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 5 April 2018.

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 2016 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 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Descriptions	Effective for annual periods beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Annual Improvements to MFRS Standards 2014–2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12	1 January 2017

The adoption of the above standards did not have any significant effect on the financial statements of the Group and the Company except as discussed below:

<u>MFRS 107 Disclosure Initiative (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 these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 30, the application of these amendments has had no impact on the Group and on the Company.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Descriptions	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
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 and interpretations will not have material impact on the financial statements in the period of initial application except as discussed below:

<u>MFRS 9 Financial Instruments</u>

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Retrospective application required, but comparative information is not compulsory. MFRS 9 introduces new requirements with impacts mainly relating to classification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

Based on the current assessment, the Group does not expect a material impact upon the adoption of MFRS 9, except for the effect of applying the impairment based on the expected credit loss model on trade receivables. The Group intends to apply the simplified approach and record lifetime expected losses on all trade receivables and expects an increase in loss allowance to be recognised upon the adoption of MFRS 9.

The Group is currently finalising its assessment and expects quantitative effects to be available by the first quarter of 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

The Group intends to adopt the Standard using the modified retrospective approach. This means that contracts that are still on-going as at 1 January 2018 will be accounted for as if they had been recognised in accordance with MFRS 15 at the commencement of the contract. The cumulative impact arising from the adoption will be recognised in retained earnings as at 1 January 2018 and comparatives will not be restated.

Management assessed the effects of applying the new standard on the Group's key revenue streams as follows:

(a) Water revenue

For the sale of water revenue, revenue is currently recognised when the supply of treated water is delivered, which is taken to be the point in time at which the customer consumes the water. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable.

Accordingly, the adoption of the new standard is not expected to have significant impact on the Group's financial statements.

(b) Sale of electricity

The sale of electricity is separately identifiable within the Power Purchase Agreements. The Group applies the practical expedient of recognising revenue in the amount to which the Group has a right to invoice if it corresponds directly with the value to customer of the Group's performance that is completed to date. Accordingly, the adoption of the new standard is not expected to have significant impact on the Group's financial statements.

(c) Rental income

Rental income is generated from operating lease of the Group's power station. It would be accounted for under MFRS 117 Leases, therefore it would not be within the scope of the new standard.

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS 15 Revenue from Contracts with Customers (cont'd)

(d) Other revenues

The Group is currently finalising its assessment of the impact of MFRS 15 to the other revenue streams and expect to complete its assessment by first quarter of 2018.

(e) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed the impact of some of these disclosures requirements will not be significant.

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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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 standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RM743,000. The Group is currently assessing if there are any adjustments which are necessary because of the different treatment of variable lease payments, extension or termination options and expects to complete its assessment by end of 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS 16 Leases (cont'd)

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements, the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on the Group's and the Company's financial statements.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

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.

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 profit or loss in accordance with MFRS 139. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 2017

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	2017 RM	2016 RM
1 United States Dollar ("USD")	4.06	4.43
1 Thai Baht ("THB")	0.12	0.13
1 Chinese Yuan Renminbi ("CNY")	0.62	0.65
1 Hong Kong Dollar ("HKD")	0.52	0.57

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 2017

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial assets (cont'd)

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observables changes in nation or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occuring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Service concession contracts (cont'd)

Intangible asset model (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income tax (cont'd)

(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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income tax (cont'd)

(c) Sales Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable, and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable form, or payable to, the taxation authority is included as part of the receivables or payables in the statements of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Revenue recognition (cont'd)

(i) Revenue (cont'd)

(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.

(k) Technical and management services

Revenue from technical and management service is recognised when the related services are rendered.

(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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Fair value measurement (cont'd)

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.

2.30 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Current versus non-current classification (cont'd)

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 47, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(e) Impairment of loans and receivables (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

4. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Water revenue	1,060,814	1,036,069	-	-
Sale of electricity	192,341	199,751	-	-
Rental income from operating lease of power station	116,928	118,686	-	-
Contribution by housing developers	60,281	38,109	-	-
Non-revenue water reduction fees	13,258	12,830	-	-
Special works	10,861	10,303	-	-
Sale of equipment	1,585	6,355	-	-
Construction contract revenue	7,828	14,990	-	-
Operation and maintenance revenue	14,193	17,961	-	-
Technical and management services	630	-	-	-
Dividend income	-	-	102,900	114,850
	1,478,719	1,455,054	102,900	114,850

5. COST OF SALES

	Group	
	2017	2016
	RM'000	RM'000
Water and its related costs	762,736	769,352
Power and its related costs	223,219	228,226
Cost of equipment	779	4,383
Construction contract costs	13,964	15,735
Operation and maintenance costs	10,733	18,771
Consultancy cost	3,431	-
	1,014,862	1,036,467

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

6. INTEREST INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income:				
- Finance lease income (Note 16)	43,130	46,086	-	-
- Fixed deposits	11,711	15,478	30	1,001
- Finance income from operating financial assets	3,903	13,702	-	-
- Unwinding of interest from deferred payment arrangement	-	7,643	-	-
- Islamic Money Market fund	504	477	-	-
- Loans and receivables	712	101	-	-
	59,960	83,487	30	1,001

7. OTHER INCOME

Included in other income are:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Unrealised foreign exchange gain	686	3,812	51	-
Realised foreign exchange gain	2,380	1,993	-	-
Gain on disposal of property, plant and equipment	144	304	-	-
Rental income	1,649	1,614	-	-
Claim from customer	2,220	2,792	-	-
Reversal for impairment on other receivables (Note 22)	938	-	938	-
Negative goodwill on acquisition (Note 18(c))	-	438	-	-
Gain on disposal of subsidiaries:				
- Disposal of PWS (Note 18(b))	242	-	-	-
- Disposal of RWHK Group (Note 18(c))	-	25,143	-	-
Waiver of costs incurred in prior years	5,253	-	-	-
Miscellaneous income	1,200	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

8. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sukuk Musharakah ("Sukuk")	43,661	53,589	-	-
Musharakah Medium Term Notes ("mMTN")	37,640	39,525	-	-
Islamic Medium Term Notes ("iMTN")	-	2,466	-	-
Unwinding of interest of service concession obligations	9,451	21,864	-	-
Term loans	6,108	5,033	-	-
Bank overdrafts	190	181	-	-
Bankers' acceptance	44	33	-	-
Unwinding of discount on payables	243	439	-	-
Finance leases	37	24	25	15
Early redemption premium on Sukuk and mMTN	-	17,890	-	-
Others	335	1,105	-	-
	97,709	142,149	25	15

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Auditors' remuneration				
- Statutory audit				
- Current year	1,443	1,065	98	88
- Underprovision in prior year	165	18	19	13
- Others	155	-	-	-
Amortisation of service concession assets (Note 14)	323,830	300,049	-	-
Amortisation of software (Note 15)	1,309	2,381	-	-
Amortisation of operating rights (Note 15)	64	125	-	-
Depreciation of property, plant and equipment (Note 13)	48,245	47,866	120	71

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

9. PROFIT BEFORE TAX (CONT'D)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000 (Restated)	RM'000	RM'000
Employee benefits expense (Note 10)	225,677	220,821	-	-
Directors' remuneration (Note 11)	16,489	14,992	9,644	6,188
Bad debts written off	182	203	-	-
Listing expenses	-	5,633	-	5,633
Allowance for impairment (Note 22):				
- Trade receivables	4,947	1,985	-	-
- Other receivables	-	2,256	-	2,256
Operating lease rentals:				
- Land and buildings	2,601	3,314	-	-
- Motor vehicles and equipment	765	1,856	-	-
- Parking	22	57	-	-
Property, plant and equipment written off (Note 13)	706	21	-	-
Provision for liquidated ascertained damages	746	2,965	-	-
Loss on disposal of property, plant and equipment	-	13	-	-
Loss on deemed disposal (Note 18(c))	-	6,473	-	-
Net unrealised foreign exchange loss	-	713	-	-
Net realised foreign exchange loss	-	760	-	186

10. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	RM'000	RM'000
Wages, salaries and bonus	149,059	141,933
Employee allowances	27,567	28,381
Defined contribution plan	19,124	19,847
Defined benefit retirement plan (Note 28)	8,604	8,853
Other staff related expenses	21,323	21,807
	225,677	220,821

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

11. DIRECTORS' REMUNERATIONS

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Non-executive directors:				
Fees	1,322	1,013	1,322	1,013
Other emoluments	259	355	259	355
	1,581	1,368	1,581	1,368
Executive directors:				
Fees	211	96	-	-
Salaries and bonus	8,781	4,907	6,816	3,529
Defined contribution plan	457	437	328	286
Other emoluments	1,048	831	864	831
Benefits-in-kind	55	174	55	174
	10,552	6,445	8,063	4,820
Other directors of the Group:				
Fees	1,343	1,207	-	-
Salaries and bonus	2,581	5,320	-	-
Defined contribution plan	218	522	-	-
Other emoluments	89	113	-	-
Benefits-in-kind	125	17	-	-
	4,356	7,179	-	-
Total	16,489	14,992	9,644	6,188

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

12. INCOME TAX EXPENSE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax				
Current income tax:				
- Malaysian income tax	21,569	21,142	11	-
- Foreign income tax	73	489	-	-
- (Over)/underprovision in prior year	(128)	(436)	200	4
	21,514	21,195	211	4
Deferred tax (Note 17)				
- Origination and reversal of deferred tax	55,445	48,282	-	-
- Relating to foreign deferred tax	-	1,949	-	-
- Under/(over)provision in prior year	563	(81)	-	-
	56,008	50,150	-	-
Income tax expense	77,522	71,345	211	4

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	198,098	168,535	85,652	100,483
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	47,544	40,448	20,556	24,116
Different tax rates in other countries	(15)	(124)	-	-
Expenses not deductible for tax purposes	26,617	20,438	4,185	1,849
Income not subject to tax	(1,612)	(1,133)	(24,730)	(27,570)
Deferred tax recognised at different tax rate	258	2,285	-	-
Deferred tax asset not recognised	4,295	9,948	-	1,605
Under/(over)provision of deferred tax in prior year	563	(81)	-	-
(Over)/underprovision of income tax in prior year	(128)	(436)	200	4
	77,522	71,345	211	4

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 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(c))	-	-	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(c))	-	-	(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

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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 (cont'd)									
Cost:									
At 1 January 2017	152,617	639	185,395	51,568	6,999	675,358	47,880	43,790	1,164,246
Additions	9,938	5,963	4,598	2,930	-	-	-	40,612	64,041
Disposals	-	-	(855)	(1,945)	-	-	-	-	(2,800)
Transfer	22,020	20	2,826	2,800	-	-	-	(27,666)	-
Written off	(56)	-	(2,000)	-	-	-	-	-	(2,056)
Disposals of a subsidiary (Note 18(b))	-	-	(288)	(846)	-	-	-	-	(1,134)
Exchange differences	-	-	(11)	-	-	-	-	-	(11)
At 31 December 2017	184,519	6,622	189,665	54,507	6,999	675,358	47,880	56,736	1,222,286

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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 (cont'd)									
Accumulated depreciation:									
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(c))	-	-	2,438	1,206	-	-	-	-	3,644
Disposals	-	-	(237)	(3,580)	-	-	-	-	(3,817)
Written off	(7)	-	(122)	-	-	-	-	-	(129)
Disposals of a subsidiary (Note 18(c))	-	-	(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

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	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 (cont'd)									
Accumulated depreciation:									
At 1 January 2017	90,287	39	172,093	37,353	2,660	255,092	31,472	-	588,996
Charge for the year (Note 9)	19,510	1,035	4,760	6,061	140	16,127	612		48,245
Disposals	-	-	(839)	(1,701)	-	-	-	-	(2,540)
Written off	(39)	-	(1,311)	-	-	-	-	-	(1,350)
Disposals of a subsidiary (Note 18(b))	-	-	(148)	(401)	-	-	-	-	(549)
Exchange differences	-	-	(2)	-	-	-	-	-	(2)
At 31 December 2017	109,758	1,074	174,553	41,312	2,800	271,219	32,084	-	632,800
Net carrying amount:									
At 31 December 2016	62,330	600	13,302	14,215	4,339	420,266	16,408	43,790	575,250
At 31 December 2017	74,761	5,548	15,112	13,195	4,199	404,139	15,796	56,736	589,486

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office equipment RM'000	Motor vehicle RM'000	Total RM'000
Company			
Cost:			
At 1 January 2016	-	-	-
Additions	3	627	630
At 31 December 2016	3	627	630
At 1 January 2017	3	627	630
Additions	16	-	16
At 31 December 2017	19	627	646
Accumulated depreciation:			
At 1 January 2016	-	-	-
Charge for the year (Note 9)	-	71	71
At 31 December 2016	-	71	71
At 1 January 2017	-	71	71
Charge for the year (Note 9)	3	117	120
At 31 December 2017	3	188	191
Net carrying amount:			
At 31 December 2016	3	556	559
At 31 December 2017	16	439	455

Assets held under finance leases

During the current financial year, the Group acquired motor vehicles with an aggregate cost of RM2,931,000 (2016: RM2,032,000) of which RM2,330,000 (2016: RM1,496,000) 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 2017 was RM4,007,000 (2016: RM3,896,000) and RM439,000 (2016: RM556,000) respectively.

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

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

In addition to assets held under finance lease, certain Group's property, plant and equipment amounting to RM47,168,000 (2016: RM54,786,000) are pledged as security to financial institutions as security for loan and borrowings, as disclosed in Note 30.

14. SERVICE CONCESSION ASSETS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At beginning of the year	900,119	900,093
Additions	23,791	26
Less: Completed operating period	(923,910)	-
At end of the year	-	900,119
Accumulated amortisation		
At beginning of the year	600,080	300,031
Amortisation charge for the financial year (Note 9)	323,830	300,049
Less: Completed operating period	(923,910)	-
At end of the year	-	600,080
Net carrying amount	-	300,039

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 Ministry of Energy, Green Technology and Water with recommendation from SPAN.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

14. SERVICE CONCESSION ASSETS (CONT'D)

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 Ministry of Energy, Green Technology and Water. 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.

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 from 1 July 2012 until 31 December 2014 and then three years from 1 January 2015 until 31 Deember 2017, to be consistent with the change in financial year end from June to December. The license was further renewed for a period of three years from 1 January 2018 to 31 December 2020.

SAJR has entered into the Fourth Operating Period which covers from 1 January 2018 to 31 December 2020 which has been approved by SPAN on 22 December 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS
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15. INTANGIBLES

	Group	
	2017	2016
	RM'000	RM'000
Goodwill	11,165	11,151
Service license	282,356	282,356
Software	651	1,587
Operating rights	37	99
	294,209	295,193

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") 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	
	2017	2016
	%	%
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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

15. INTANGIBLES (CONT'D)

Impairment test of service license and goodwill (cont'd)

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.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

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.

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At beginning of the year	3,397	-
Acquisition of a subsidiary (Note 18(c))	-	3,128
Exchange differences	(14)	269
At end of the year	3,383	3,397
Accumulated amortisation		
At beginning of the year	3,298	-
Acquisition of a subsidiary (Note 18(c))	-	2,916
Amortisation charge for the year (Note 9)	64	125
Exchange differences	(16)	257
At end of the year	3,346	3,298
Net carrying amount	37	99

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

15. INTANGIBLES (CONT'D)

Software

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At beginning of the year	12,993	12,819
Acquisition of a subsidiary (Note 18(c))	-	134
Addition during the year	373	36
Exchange differences	-	4
At end of the year	13,366	12,993
Accumulated amortisation		
At beginning of the year	11,406	8,988
Acquisition of a subsidiary (Note 18(c))	-	36
Amortisation charge for the year (Note 9)	1,309	2,381
Exchange differences	-	1
At end of the year	12,715	11,406
Net carrying amount	651	1,587

16. FINANCE LEASE RECEIVABLE

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of the year	593,618	631,700
Repayments	(84,168)	(84,168)
Finance lease income (Note 6)	43,130	46,086
At end of the year	552,580	593,618
The finance lease receivable is further analysed as follows:		
Gross amounts receivable	825,783	909,950
Less: Unearned finance interest income	(273,203)	(316,332)
Finance lease receivable	552,580	593,618
Analysed into:		
Current	44,224	41,038
Non-current	508,356	552,580
	552,580	593,618

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

16. FINANCE LEASE RECEIVABLE (CONT'D)

	Group 2017 RM'000	Group 2016 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	404,944	489,111
Total minimum lease payments receivable	825,783	909,950
Less: Unearned finance interest income	(273,203)	(316,332)
	552,580	593,618
Present value of payments receivable:		
Not later than 1 year	44,224	41,038
Later than 1 year but not later than 2 years	47,657	44,224
Later than 2 years but not later than 5 years	166,341	154,358
Later than 5 years	294,358	353,998
Present value of minimum lease payments receivable	552,580	593,618

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.

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17. DEFERRED TAXATION

The components and movements of deferred tax assets 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 2016	37,588	195,301	106,976	3,657	37,072	56,633	437,227
Acquisition of a subsidiary (Note 18(c))	-	-	11	3,946	1,177	-	5,134
Disposal of a subsidiary (Note 18(c))	-	-	-	-	(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
At 1 January 2017	25,074	166,938	111,155	8,111	37,241	47,024	395,543
Recognised in profit and loss	(11,186)	(23,024)	(10,876)	1,440	(1,084)	(23,026)	(67,756)
Disposal of a subsidiary (Note 18(b))	-	-	-	-	-	(106)	(106)
Exchange differences	-	-	-	(21)	-	22	1
At 31 December 2017	13,888	143,914	100,279	9,530	36,157	23,914	327,682

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

17. DEFERRED TAXATION (CONT'D)

The components and movements of deferred tax assets 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	Finance lease receivables RM'000	Others RM'000	Total RM'000
Group					
At 1 January 2016	(101,536)	(414)	(137,607)	(140)	(239,697)
Acquisition of a subsidiary (Note 18(c))	(22,731)	-	-	45	(22,686)
Disposal of a subsidiary (Note 18(c))	22,550	-	-	-	22,550
Recognised in profit and loss	668	101	(4,861)	(44)	(4,136)
Exchange differences	(804)	-	-	-	(804)
At 31 December 2016	(101,853)	(313)	(142,468)	(139)	(244,773)
At 1 January 2017	(101,853)	(313)	(142,468)	(139)	(244,773)
Recognised in profit and loss	1,749	113	9,848	38	11,748
Exchange differences	20	-	-	-	20
At 31 December 2017	(100,084)	(200)	(132,620)	(101)	(233,005)

Presented after appropriate offsetting as follows:

	Group	
	2017 RM'000	2016 RM'000
Deferred tax assets	167,664	215,787
Deferred tax liabilities	(72,987)	(65,017)
	94,677	150,770

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

17. DEFERRED TAXATION (CONT'D)

Deferred tax assets for the Group has not been recognised in respect of the following item:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Unutilised investment allowances	185,339	168,404
Unutilised business losses	6,327	5,873
Others	22,906	22,399
	214,572	196,676

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	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost	395,000	395,000
Amount due from a subsidiary	800,000	800,000
	1,195,000	1,195,000

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

(a) Acquisition of subsidiary in the current financial year

On April 2017, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. ("RCSB") has entered into a Shares Sale and Purchase Agreement ("SSPAs") (including a supplement agreement dated 4 July 2017) to acquire 100% equity interest in SM Hydro Sdn. Bhd. for a total cash consideration of RM21,000,000. Upon execution of the SSPAs, RCSB has paid a total deposit of RM7,000,000.

The acquisition has not been completed as at 31 December 2017 as the conditions precedent stipulated in the SSPAs have yet to be met.

(b) Disposal of a subsidiary in the current financial year

On 13 June 2017, a wholly-owned subsidiary of the Company, Ranhill Water Services Sdn. Bhd. ("RWS") completed the disposal of 60% equity interest in Premier Water Services Sdn. Bhd. ("PWS") to Ultimate Season Sdn. Bhd. for a total cash consideration of RM1,450,000.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(b) Disposal of a subsidiary in the current financial year (cont'd)

The disposal of PWS 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)	585
Inventories	100
Trade and other receivables	2,187
Current tax assets	190
Deferred tax assets (Note 17)	106
Cash and bank balances	151
	3,319
Liabilities	
Trade and other payables	867
Loans and borrowings	438
	1,305
Total net assets disposed	2,014
Less: non-controlling interest	(806)
	1,208
Proceeds from disposal of a subsidiary satisfied by cash	1,450
Gain on disposal of a subsidiary (Note 7)	242

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

	RM'000
Proceeds from disposal of a subsidary settled by cash	966
Less: Cash and cash equivalents of a subsidiary disposed	(151)
Net cash inflow on disposal of the subsidiary at the date of disposal	815

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group

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 ("Acquisition of the remaining interest of RWTC Group") for a cash consideration of RM116,386,000 (USD29,009,000). The acquisition is to facilitate the Group's overall restructuring effort to form a strategic partnership with suitable investor to complement the continuous growth of the Group's wastewater business in China.

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group (cont'd)

As part of the restructuring, RWTC subsequently disposed of 60% equity interest in Ranhill Water (Hong Kong) Limited ("RWHK") and its subsidiaries, which is 100% owned subsidiary group of RWTC ("Disposal of 60% equity interest of RWHK Group") 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 was approximately RM156,386,000 (RMB243,900,000).

During the year, following the finalisation of the purchase price allocation arising from the acquisition of the remaining interest of RWTC Group within 12 months from the acquisition date, the net fair value of identifiable assets and liabilities of RWTC group was revised from RM288,749,000 to RM243,923,000.

The impact of the revision on the accounting for the acquisition of the remaining interest of RWTC group and subsequently the consequential impact on the disposal of 60% equity interest of RWHK group are as follows:

	As previously restated RM'000	Re-statement RM'000	As restated RM'000
For the year ended 31 December 2016			
Acquisition of remaining interest of RWTC Group			
Consolidated statement of comprehensive income			
Other income:			
- Negative goodwill	21,910	(21,472)	438
- Gain/(loss) on deemed disposal	16,881	(23,354)	(6,473)
Disposal of 60% equity interest in RWHK Group			
Consolidated statement of comprehensive income			
Administrative expenses:			
- Remeasurement loss on disposal of a subsidiary	(1,082)	1,082	-
- (Loss)/gain on disposal of a subsidiary	(1,828)	26,971	25,143
Other comprehensive income:			
Foreign currency translation	15,409	(933)	14,476
Consolidated statement of financial position			
Investment in associates	169,840	(17,706)	152,134

The comparatives have been restated to take into account of the above restatements accordingly.

The restatement has no impact on the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group (cont'd)

(i) Acquisition of the remaining interest of RWTC 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 (Restated)
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)	520,694
Amount due from customers	5
Inventories	940
Prepayments	1,358
Cash and bank balances	8,082
	640,259
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
Fair value of identifiable net assets	243,923
Total group's share of identifiable net assets at fair value	127,084
Add: Non-controlling interests measured at fair value	15
Total purchase consideration	116,386
	243,485
Negative goodwill (Note 7)	438

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group (cont'd)

(i) Acquisition of the remaining interest of RWTC Group (cont'd)

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

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

	RM'000 (Restated)
Fair value of equity interests previously owned at the date of acquisition	127,084
Less: Carrying amount of equity interests previously owned at the date of acquisition	(150,438)
Add: Recycled foreign exchange reserve to profit or loss	16,881
Loss on deemed disposal (Note 9)	(6,473)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group (cont'd)

(ii) Disposal of 60% equity interest of RWHK Group

Upon the disposal, RWHK and its subsidiaries became associates of the Group as further disclosed in Note 20.

The disposal of 60% equity interest of RWHK Group has the following effect on the financial position, performance and cash flows of the Group:

	At the date of disposal RM'000 (Restated)
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)	479,946
Inventories	355
Cash and bank balances	7,954
	518,166
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	195,051
Less: Realisation of unrealised profit	(7,086)
Add: Recycled foreign exchange reserve	21,298
Less: Net assets retained	(78,020)
	131,243
Proceeds from disposal of a subsidiary settled by:	
- Cash	143,562
- Contingent consideration* (Note 22)	12,824
Gain on disposal of a subsidiary (Note 7)	25,143

* Contingent consideration represents the fair value of consideration receivable that was contingent on meeting certain conditions as stated in the Sales and Purchase Agreement.

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18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(c) Prior year's acquisition of the remaining interest of RWTC Group and subsequently the disposal of 60% equity interest of RWHK Group (cont'd)

(ii) Disposal of 60% equity interest of RWHK Group (cont'd)

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

(d) 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^	
			2017	2016	2017	2016
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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(d) Details of the Group's subsidiaries are as follows: (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^ 2017	% of ownership interest held by the Group^ 2016	% of ownership interest held by non-controlling interests^ 2017	% of ownership interest held by non-controlling interests^ 2016
Held by Ranhill Capital Sdn. Bhd. (cont'd)						
Ranhill Power Services Sdn. Bhd. [1]	Malaysia	Provision of support service to its fellow subsidiaries in the power division.	100	100	-	-
Ranhill Power Myanmar Sdn. Bhd. [1, 5]	Malaysia	Dormant.	100	-	-	-
SAJ Ranhill Sdn. Bhd. [1]	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	100	-	-
Ranhill Water Resources Sdn. Bhd. [1]	Malaysia	Investment holding.	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(d) 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^	
			2017	2016	2017	2016
Held by Ranhill Capital Sdn. Bhd. (cont'd)						
Ranhill Water Transfer Sdn. Bhd. [1]	Malaysia	Investment holding.	100	100	-	-
Ranhill Watertech Solutions Sdn. Bhd. [1]	Malaysia	Investment holding.	100	100	-	-
SAJ Capital Sdn. Bhd. [1,6]	Malaysia	A Special Purpose Vehicle ("SPV") incorporated to issue Islamic Medium Term Notes of RM650,000,000 in nominal value based on the Shariah Principle of Murabahah (via Tawarruq Agreement).	100	-	-	-
Held by Ranhill Water Services Sdn. Bhd.						
Premier Water Services Sdn. Bhd. [1,7]	Malaysia	Provision, operation, management, improvement and upgrading of the water advanced pressure management in relation to non revenue water related business or activities.	-	60	-	40
Held by Ranhill Watertech Solutions Sdn. Bhd.						
Ranhill International Trade (Hong Kong) Investment Ltd. [3,4]	Hong Kong	To undertake investment holding activities and provisions of consultancy, project management, operations and maintenance services relating to portable water treatment plants.	-	51	-	49

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(d) 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^	
			2017	2016	2017	2016
Held by Ranhill Watertech Solutions Sdn. Bhd. (cont'd)						
Ranhill Venture (Hong Kong) Ltd. [3, 4]	Hong Kong	To undertake investment holding activities and provisions of consultancy, project management, operations and maintenance services relating to portable water treatment plants.	-	100	-	-
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	100	-	-
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	100	-	-
Held by Ranhill Water Technologies Sdn. Bhd.						
AnuRak Water Treatment Facilities Co. Ltd. [2]	Thailand	To undertake potable water, wastewater and reclaimed water treatment services for domestic and industrial use.	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(d) Details of the Group's subsidiaries are as follows: (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^ 2017	2016	% of ownership interest held by non-controlling interests^ 2017	2016
Held by Ranhill Water Technologies Sdn. Bhd. (cont'd)						
KWI (Guangzhou) Environmental Engineering Technology Co. Ltd. [2]	China	Ceased operations.	51	51	49	49
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	100	-	-

^ 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
[4] Deregistered during the year
[5] Acquired during the year for a consideration of RM2
[6] A Special Purpose Vehicle ("SPV") incorporated during the year as explained in Note 49
[7] Disposed during the year as explained in Note 18(b)

(e) Summarised financial information of Ranhill Powertron Sdn. Bhd. ("RPI"), Ranhill Powertron II Sdn. Bhd. ("RPII"), and SAJ Ranhill Sdn. Bhd. ("SAJR") 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") and Ranhill Power II O&M Sdn. Bhd. ("RPOMII") are not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'D)

(i) Summarised statements of financial position:

	RPI RM'000	RPII RM'000	SAJR RM'000	Total RM'000
As at 31 December 2017				
Non-current assets	426,987	538,567	390,119	1,355,673
Current assets	111,889	226,536	402,162	740,587
Total assets	538,876	765,103	792,281	2,096,260
Current liabilities	55,370	77,162	314,423	446,955
Non-current liabilities	155,323	546,604	332,833	1,034,760
Total liabilities	210,693	623,766	647,256	1,481,715
Equity attributable to owners of the Company	196,910	113,070	116,020	426,000
Non-controlling interests	131,273	28,267	29,005	188,545
Net assets	328,183	141,337	145,025	614,545
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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'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 2017				
Revenue	210,055	99,214	1,131,956	1,441,225
Profit/(loss) for the year	37,596	(6,304)	154,369	185,661
Profit/(loss) attributable to owners of the Company	22,558	(5,043)	123,495	141,010
Profit/(loss) attributable to the non-controlling interests	15,038	(1,261)	30,874	44,651
Profit/(loss) for the year representing total comprehensive income	37,596	(6,304)	154,369	185,661
Total comprehensive income/(loss) attributable to owners of the Company	22,558	(5,043)	125,706	143,221
Total comprehensive income/(loss) attributable to non-controlling interests	15,038	(1,261)	31,427	45,204
	37,596	(6,304)	157,133	188,425
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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

18. INVESTMENT IN A SUBSIDIARY (CONT'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 2017				
Net cash generated from operating activities	73,681	86,542	588,283	748,506
Net cash generated used in investing activities	(1,462)	(19,344)	(50,276)	(71,082)
Net cash used in financing activities	(67,097)	(66,524)	(606,339)	(739,960)
Net increase/(decrease) in cash and cash equivalents	5,122	674	(68,332)	(62,536)
Cash and cash equivalents at beginning of the year	19,530	13,133	144,213	176,876
Cash and cash equivalents at end of the year	24,652	13,807	75,881	114,340
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

NOTES TO THE FINANCIAL STATEMENTS
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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 2017	2016	Nature of relationship	Accounting model applied
Avantang Power Sdn. Bhd. [1]	Malaysia	50	50	Note (i)	Equity method

(i) 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 2017 RM'000	2016 RM'000 (Restated)
Unquoted shares, at cost	96,720	78,020
Unrealised profit	-	(3,979)
	96,720	74,041
Add: Share of post acquisition reserves	(1,360)	(1,059)
	95,360	72,982
Exchange differences	(2,530)	(1,006)
Amount due from an associate	79,346	80,158
	172,176	152,134

As disclosed in Note 18(c), the investment in associates in prior year was restated as a result of the finalisation of the purchase price allocation on the acquisition of remaining interest of RWTC Group.

On 29 September 2017, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. completed the acquisition of 26.7% effective equity interest in Tawau Green Energy Sdn. Bhd. ("TGE") for cash consideration of RM18,700,000. The associate has not commenced operations since its incorporation. The summarised financial information of TGE is not presented as it is not material to 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

20. INVESTMENT IN ASSOCIATES (CONT'D)

(a) Details of the Group's associates are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2017	% of ownership interest held by the Group 2016	Accounting model applied
Held by Ranhill Capital Sdn. Bhd.					
Tawau Green Energy Sdn. Bhd. [1]	Malaysia	To develop, construct and maintain a geothermal power plant.	26.7	-	Equity method
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	40	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	40	Equity method
Ranhill (Nanchang) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Xiao Lan Economic Development Zone.	40	40	Equity method
Ranhill (Hefei) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Hefei Chemical Industrial Park.	40	40	Equity method
Ranhill (Xinxiang) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Xinxiang Industrial Park.	40	40	Equity method
Ranhill (Yingkou) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Yingkou Economic & Technology Development Zone.	40	40	Equity method

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 2017	% of ownership interest held by the Group 2016	Accounting model applied
Held by Ranhill Water (Hong Kong) Ltd. (cont'd)					
Ranhill Water Technologies (Shanghai) Ltd. [1]	China	To undertake consultancy services on potable water, wastewater technologies and project management.	40	40	Equity method
Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd. [1]	China	To undertake design, construction and operation for wastewater treatment and environmental protection facilities in Xiatang Heavy Industrial Park.	40	40	Equity method
Ranhill (Fuzhou) Water Co. Ltd. [1]	China	To undertake water, reclaimed water and wastewater projects in Yihuang Industrial Park.	40	40	Equity method
Ranhill (Wanzai) Water Co. Ltd. [1]	China	To undertake water, reclaimed water and wastewater projects in Wanzai Industrial Park, Yichun City.	40	40	Equity method
Ranhill (QingTongXia) Wastewater Treatment Co. Ltd. [1]	China	Undertaking industrial wastewater treatments services, design, construction and operation for wastewater treatment plant in Qingtongxia New Material Base Industrial Park.	40	40	Equity method
Ranhill (Fuxin) Water Co. Ltd. [1]	China	To undertake wastewater treatments services for Fuxin Coal Chemical Industrial Base.	40	40	Equity method
Ranhill (Chongren) Water Co. Ltd. [1]	China	To undertake wasterwater treatments services for Chongren Industrial Park.	40	40	Equity method

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 2017	2016	Accounting model applied
Held by Ranhill Water (Hong Kong) Ltd. (cont'd)					
Ranhill Water (Yongfeng) Co. Ltd. [1]	China	To undertake construction and operation for treatments plant in Ji'an City.	40	40	Equity method
Ranhill Water (Wuhan) Co. Ltd. [1]	China	To promote management services, marketing, development and technical services.	40	40	Equity method

(b) Details of the Group's joint venture is as follow:

Name	Country of incorporation	Principal activities	2017	2016	Accounting model applied
Joint venture held by Ranhill Water (Hong Kong) Ltd.					
Pinang Water Ltd. [1]	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	15	Equity method

[1] Audited by firm other than Ernst & Young

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

20. INVESTMENT IN ASSOCIATES (CONT'D)

(c) Summarised financial information of an associate material to the Group, is set out below:

(i) Summarised statement of financial position

	2017 RM'000	2016 RM'000 (Restated)
Non-current assets	386,305	453,938
Cash and bank balances	30,887	7,218
Other current assets	113,187	57,243
Total current assets	144,074	64,461
Total assets	530,379	518,399
Non-current liabilities	(80,969)	(136,956)
Current liabilities	(263,983)	(191,556)
Total liabilities	(344,952)	(328,512)
Net assets	185,427	189,887

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000 (Restated)
Revenue	82,815	50,677
Profit/(loss) before tax	7,336	(27,975)
Tax expense	609	(4,983)
Profit/(loss) after tax	7,945	(32,958)
Other comprehensive loss	(8,595)	(20,875)
Total comprehensive loss for the year	(650)	(53,833)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

20. INVESTMENT IN ASSOCIATES (CONT'D)

(c) Summarised financial information of an associate material to the Group, is set out below: (cont'd)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in an associate

	2017 RM'000	2016 RM'000
Net assets	189,887	195,051
Profit/(loss) for the year	7,945	(940)
Other comprehensive loss	(8,595)	(1,710)
Exchange differences	(3,810)	(2,514)
Net assets as at 31 December	185,427	189,887
Interest in an associate	40%	40%
	74,171	75,955
Less: Unrealised profit	-	(3,979)
Add: Amount due from an associate	79,346	80,158
Carrying value of Group's interest in an associate	153,517	152,134

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	
	2017 RM'000	2016 RM'000
Current	4,212	7,253
Non-current	63,597	64,258
	67,809	71,511

21. OPERATING FINANCIAL ASSETS (CONT'D)

The movements in the net carrying amounts of non-current and current operating financial assets are as follows:

	Group	
	2017	2016
	RM'000	RM'000 (Restated)
At beginning of year	71,511	-
Acquisition of a subsidiary (Note 18(c))	-	520,694
Additions	3,903	24,302
Repayments	(7,341)	(14,887)
Disposal of a subsidiary (Note 18(c))	-	(479,946)
Exchange differences	(264)	21,348
At end of year	67,809	71,511

Operating financial assets amounting to RM46,313,000 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 the Group and to be returned to concession grantor at the end of the contract.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Third parties (Note a)	206,672	219,319	-	-
Amounts due from associates (Note c)	9,809	13,554	-	-
Retention sum on contracts (Note 25)	1,628	2,910	-	-
	218,109	235,783	-	-
Less: Allowance for impairment (Note a)	(35,268)	(30,321)	-	-
Trade receivables, net	182,841	205,462	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

22. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-trade				
Other receivables and deposits	53,076	55,826	-	13,289
Contingent consideration receivable (Note 18(c))	6,209	12,824	-	-
Receivables from PAAB (Note b)	15,728	19,231	-	-
Receivable from the State Government of Johor	16,764	15,916	-	-
Amount due from subsidiaries (Note c)	-	-	139,202	91,152
Amounts due from associates (Note c)	2,255	7,223	-	-
Amounts due from related parties (Note c)	44	17,227	-	41
	94,076	128,247	139,202	104,482
Less: Allowance for impairment (Note d)	-	(2,256)	-	(2,256)
Non-trade receivables, net	94,076	125,991	139,202	102,226
Total current receivables	276,917	331,453	139,202	102,226
Non-current				
Non-trade				
Refundable deposits (Note 35)	70,408	70,408	-	-
Retention sum on contracts (Note 25)	750	1,780	-	-
	71,158	72,188	-	-
Total trade and other receivables	348,075	403,641	139,202	102,226
Add: Cash and bank balances (Note 27)	411,165	460,269	243	188
Total loan and receivables	759,240	863,910	139,445	102,414

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

22. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2016: 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	
	2017	**2016**
	RM'000	**RM'000**
Neither past due nor impaired	135,010	179,960
1 to 30 days past due not impaired	17,308	6,551
31 to 60 days past due not impaired	4,367	5,342
61 to 90 days past due not impaired	3,001	3,729
91 to 120 days past due not impaired	9,102	2,181
More than 121 days past due not impaired	14,053	7,699
	47,831	25,502
Impaired	35,268	30,321
	218,109	235,783

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 RM47,831,000 as at 31 December 2017 (2016: RM25,502,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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	
	2017	2016
	RM'000	RM'000
Trade receivables		
- nominal amounts	206,672	148,095
Less: Allowance for impairment	(35,268)	(30,321)
	171,404	117,774

Movement in allowance accounts:

	Group	
	2017	2016
	RM'000	RM'000
At beginning of financial year	30,321	27,324
Acquisition of a subsidiary	-	1,011
Charge for the year (Note 9)	4,947	1,985
Exchange differences	-	1
At end of financial year	35,268	30,321

(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 related parties

Amounts due from subsidiaries, associates and related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

22. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Other receivables that are impaired

Movement in allowance accounts:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	2,256	-	2,256	-
Charge for the year (Note 9)	-	2,256	-	2,256
Written off	(1,318)	-	(1,318)	-
Reversal of impairment loss (Note 7)	(938)	-	(938)	-
At end of financial year	-	2,256	-	2,256

The currency exposure profile of trade receivable and other receivable are as follows:-

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	329,640	372,301	139,202	102,226
Chinese Renminbi	16,352	26,608	-	-
Thai Baht	1,638	2,936	-	-
US Dollar	442	1,793	-	-
Hong Kong Dollar	3	3	-	-
	348,075	403,641	139,202	102,226

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

23. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
At cost:		
Consumables	61,255	55,993
Distillates	12,848	13,875
Raw materials	149	144
Tools and equipment	183	184
	74,435	70,196
At net realisable value:		
Water pipes	4,166	3,502
Water meters	2,911	1,864
	7,077	5,366
	81,512	75,562

24. OTHER CURRENT ASSETS

	Group 2017 RM'000	Group 2016 RM'000
Prepayments	14,763	5,456
Due from customers on contracts (Note 25)	16,870	22,773
	31,633	28,229

25. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2017 RM'000	Group 2016 RM'000
Contract costs incurred to date	297,197	392,397
Recognised profits	82,866	96,423
	380,063	488,820
Less: Progress billings	(363,193)	(471,276)
	16,870	17,544

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

25. DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D)

	Group	
	2017	2016
	RM'000	RM'000
Due from customers on contracts (Note 24)	16,870	22,773
Due to customers on contracts (Note 33)	-	(5,229)
	16,870	17,544
Retention sum on contracts		
- included in trade and other receivables (Note 22)	2,378	4,690
- included in trade payables (Note 32)	(10,797)	(9,496)

26. OTHER FINANCIAL ASSETS

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets at fair value through profit or loss				
Short term investments:				
- Islamic managed funds*	7,695	7,695	11,352	11,352
- Deposits with other financial instituition	3,747	3,747	2,823	2,823
	11,442	11,442	14,175	14,175

* 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	85,816	123,416	243	188
Short term deposits with:				
- licensed banks	325,349	336,853	-	-
Total deposits, cash and bank balances	411,165	460,269	243	188
Bank overdrafts (Note 30)	(1,898)	(3,498)	-	-
Restricted deposits, cash and bank balances	(267,925)	(171,685)	-	-
Cash and cash equivalents	141,342	285,086	243	188

The weighted average effective interest rate per annum of deposits that was effective as at reporting date were as follows:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Short term deposits with:				
- Licensed banks	3.13	3.21	-	-

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 RM267,925,000 (2016: RM171,685,000), 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	399,053	447,398	243	188
Chinese Renminbi	5,968	9,858	-	-
Thai Baht	6,112	2,859	-	-
US Dollar	32	154	-	-
	411,165	460,269	243	188

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

28. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Representing:		
Current	10,729	7,065
Non-current	77,396	85,808
	88,125	92,873

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 2017 was updated based on the 31 December 2016 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	
	2017	**2016**
	RM'000	**RM'000**
At beginning of financial year	92,873	91,945
Charge to profit or loss (Note 10)	8,604	8,853
Benefits paid	(10,589)	(7,925)
Remeasurement gain on defined benefit plan	(2,763)	-
At end of financial year	88,125	92,873

The expense recognised in the Group's statement of comprehensive income is analysed as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Charge to profit or loss		
Current service costs	4,243	4,323
Interest costs	4,361	4,530
Total included in staff costs	8,604	8,853

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	
	2017	**2016**
	%	**%**
Discount rate	5.0	5.0
Expected rate of salary increases	6.0	6.0

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
- Within one year	1,632	1,779	125	125
- Between two to five years	2,841	2,479	313	438
- More than five years	251	200	-	-
Total minimum lease payments	4,724	4,458	438	563
Less: Amounts representing finance charges	(402)	(348)	(39)	(65)
Present value of minimum lease payments	4,322	4,110	398	498
Present value of payments:				
- Within one year	1,454	1,632	106	100
- Between two to five years	2,621	2,316	292	398
- More than five years	247	162	-	-
Present value of minimum lease payments	4,322	4,110	398	498
Less: Amount due within 12 months	(1,454)	(1,632)	(106)	(100)
Amount due after 12 months	2,868	2,478	292	398

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Effective interest rates:				
- Finance lease	4.34	4.34	2.93	2.93

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

30. BORROWINGS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Current		
Secured:		
Sukuk Musharakah ("Sukuk")	62,942	56,939
Musharakah Medium Term Notes ("mMTN")	49,288	28,885
Term loan 2	-	109
Term loan 3	640	585
Term loan 4	1,181	1,086
Term loan 5	1,377	1,293
Bank overdrafts	-	516
	115,428	89,413
Unsecured:		
Bank overdrafts	1,898	2,982
Bankers' acceptances	-	1,677
Term loan 1	-	378
	1,898	5,037
Total short term borrowings	117,326	94,450
Non-current		
Secured:		
Sukuk Musharakah ("Sukuk")	476,593	539,535
Musharakah Medium Term Notes ("mMTN")	544,687	593,975
Term loan 2	-	138
Term loan 3	601	1,252
Term loan 4	3,845	5,346
Term loan 5	3,220	4,618
	1,028,946	1,144,864
Unsecured:		
Convertible unsecured loan stocks ("CULS")	11,268	11,079
Total long term borrowings	1,040,214	1,155,943
Total borrowings	1,157,540	1,250,393

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

30. BORROWINGS (CONT'D)

The annual interest rates at the reporting date are as follows:

	Repayment Maturity	Group 2017 %	Group 2016 %
Secured:			
Sukuk Musharakah ("Sukuk")	2026	8.10	8.10
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	MRR + 1.0
Term loan 4	2024	MLR	MLR
Term loan 5	2022	MLR + 0.5	MLR + 0.5
Unsecured:			
Term loan 1	2017	-	MRR + 1.0
Bankers' acceptances	On demand	-	3.82
Bank overdrafts	On demand	8.45	8.40
Convertible unsecured loan stock ("CULS")	2019	15.28	15.28

The currency exposure profile of loans and borrowings are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Ringgit Malaysia	1,146,676	1,235,071
Thai Baht	10,864	15,322
	1,157,540	1,250,393

The maturity profile of loans and borrowings are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Maturity of borrowings:		
- Within one year	117,326	94,450
- Between one to two years	107,385	115,535
- Between two to five years	303,419	326,676
- More than five years	629,410	713,732
Total borrowings	1,157,540	1,250,393

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2017

30. BORROWINGS (CONT'D)

Reconciliation of liabilities/(assets) arising from financing activities

	Non-current borrowings (excluding overdraft) RM'000	Current borrowings (excluding overdraft) RM'000	Total RM'000
Group			
At 1 January 2017	1,155,943	90,952	1,246,895
Cash flows	(1,450)	(172,907)	(174,357)
Non-cash changes:			
Translation	(35)	3,622	3,587
Other changes	(114,244)	193,761	79,517
At 31 December 2017	1,040,214	115,428	1,155,642

Included in the other changes are the effects of transaction costs deducted against carrying amount of loans and borrowings amortised under effective interest rate method and accrued but not yet paid/(received) interest on interest-bearing loans and borrowings. The Group classified interest paid as cash flows from operating activities.

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.

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30. BORROWINGS (CONT'D)

Sukuk Musharakah ("Sukuk") (cont'd)

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.

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.

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For the financial year ended 31 December 2017

30. BORROWINGS (CONT'D)

Musharakah Medium Term Notes ("mMTN")

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

30. BORROWINGS (CONT'D)

Musharakah Medium Term Notes ("mMTN") (cont'd)

The mMTN is secured over the followings: (cont'd)

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

(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 2017 is RM1,063,000 (2016: RM1,063,000).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

30. BORROWINGS (CONT'D)

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 loan had been fully settled during the current financial year.

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.

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 at 8.40% per annum (2016: 2.38% to 8.40%) 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..

31. ZAKAT LIABILITY

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of financial year	8,699	8,942
Charged to profit or loss	1,139	5,212
Zakat paid	(312)	(5,455)
At end of financial year	9,526	8,699

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
Trade payables				
Third parties (Note a)	141,433	160,358	-	-
Amount due to PAAB (Note d)	86,055	83,949	-	-
Amounts due to related parties (Note b)	1,587	1,217	-	-
Retention sum on contracts (Note 25) (Note c)	2,952	3,209	-	-
	232,027	248,733	-	-
Non-trade payables				
Other payables	108,560	116,020	1,255	1,462
Dividend payable	13,000	44,016	-	17,766
Retention sum on contracts (Note 25) (Note c)	7,516	5,721	-	-
Amounts due to related parties (Note b)	1,024	2,476	13	-
Amounts due to subsidiaries (Note b)	-	-	16,340	2,391
	130,100	168,233	17,608	21,619
Total current payables	362,127	416,966	17,608	21,619
<u>Non-Current</u>				
Trade payables				
Amount due to PAAB (Note d)	16,824	82,283	-	-
Retention sum on contracts (Note 25) (Note c)	329	566	-	-
	17,153	82,849	-	-
Non-trade payables				
Other payables	1,917	3,674	-	-
Total non-current payables	19,070	86,523	-	-
Total trade and other payables	381,197	503,489	17,608	21,619
Add: Finance lease liabilities (Note 29)	4,322	4,110	398	498
Add: Borrowings (Note 30)	1,157,540	1,250,393	-	-
Add: Service concession obligations (Note 34)	-	333,401	-	-
Total financial liabilities carried at amortised cost	1,543,059	2,091,393	18,006	22,117

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 (2016: 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") and operating period 3 ("OP3") 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	367,293	488,805	17,608	21,619
Chinese Renminbi	11,665	11,286	-	-
US Dollar	169	1,519	-	-
Thai Baht	1,988	1,014	-	-
Others	82	865	-	-
	381,197	503,489	17,608	21,619

33. OTHER CURRENT LIABILITY

	Group	
	2017	2016
	RM'000	RM'000
Due to customers on contracts (Note 25)	-	5,229

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

34. SERVICE CONCESSION OBLIGATIONS

	Group	
	2017	2016
	RM'000	RM'000
Minimum lease payments:		
- Within one year	-	341,280
- Between two to five years	-	-
Total minimum lease payments	-	341,280
Less: Future finance charges	-	(7,879)
Present value of minimum lease payments	-	333,401
Present value of payments:		
- Within one year	-	333,401
- Between two to five years	-	-
Present value of minimum lease payments	-	333,401
Less: Amount due within 12 months	-	(333,401)
Amount due after 12 months	-	-

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.

As disclosed in Note 14, the Fourth Operating Period commenced with effect from 1 January 2018. Accordingly, there is no service concession obligations being recognised as at 31 December 2017.

The weighted average effective interest rates per annum for the lease rental payable as at reporting date is 4.45% (2016: 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 (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

36. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	2017	2016
	'000	'000	RM'000	RM'000
Group and Company				
Authorised				
At 1 January/31 December	-	2,000,000	-	2,000,000
Issued and fully paid up				
At 1 January	888,316	565,995	888,316	565,995
Issued during the year				
- Public offering (Note a)	-	322,321	-	322,321
Effect of implementation of the Act (Note b)	-	-	387,003	-
At 31 December	888,316	888,316	1,275,319	888,316

(a) 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 in the increase of 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.

(b) The new Companies Act (the "Act"), which comes into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium of RM387,003,000 for purposes set out in subsection 618(3) and 618(4) of the Act respectively. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

37. SHARE PREMIUM

	Group/Company	
	2017	2016
	RM'000	RM'000
At 1 January	387,003	339,597
Effect of implementation of the Act (Note 36 (b))	(387,003)	-
Issuance of shares for public offering (Note a)	-	64,464
Share issuance expense	-	(17,058)
At 31 December	-	387,003

38. OTHER RESERVES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Merger deficit (Note a)	(906,015)	(906,015)	-	-
Currency translation reserve (Note b)	13,641	22,721	-	-
Equity component of convertible unsecured loan stocks ("CULS") (Note c)	1,063	1,063	-	-
Retained earnings (Note d)	198,157	168,010	41,580	554
	(693,154)	(714,221)	41,580	554

(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 2017 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

39. DIVIDENDS

Recognised during the financial year:

			Amount of dividend, net of tax	
	2017	**2016**	**2017**	**2016**
	sen	**sen**	**RM'000**	**RM'000**
Group				
- Interim dividend on 888,315,767 ordinary shares	2.00	1.80	17,766	15,990
- Final dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
- Interim dividend on 888,315,767 ordinary shares	1.00	-	8,883	-
- Interim dividend on 100,000,000 ordinary shares	21.25	131.25	4,250	26,250
- Interim dividend on 100,000,000 ordinary shares	78.75	-	15,750	-
- Interim dividend on 100,000,000 ordinary shares	25.00	-	5,000	-
- Interim dividend on 100,000,000 ordinary shares	40.00	-	8,000	-
- Interim dividend on 10,000,000 ordinary shares	-	980.00	-	39,200
- Interim dividend on 500,000 ordinary shares	200.00	1,000.00	400	2,000
- Interim dividend on 500,000 ordinary shares	200.00	600.00	200	600
- Interim dividend on 250,000 ordinary shares	-	80.00	-	200
			78,015	102,006

Dividends paid by the Company during financial year are as follows:

			Amount of dividend, net of tax	
	2017	**2016**	**2017**	**2016**
	sen	**sen**	**RM'000**	**RM'000**
Company				
- Interim dividend on 888,315,767 ordinary shares	2.00	1.80	17,766	15,990
- Final dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
- Interim dividend on 888,315,767 ordinary shares	1.00	-	8,883	-
			44,415	33,756

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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 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 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 (Changfeng) Environmental Protection Technologies Co. Ltd.	An associate of Ranhill Water Technologies (Cayman) Ltd.
Ranhill Global System Sdn. Bhd.	Director's related corporation.
Symphony Share Registrar Sdn. Bhd.	Director's related corporation.
Symphony Corporatehouse Sdn. Bhd.	Director's related corporation.
Ranhill E&C Sdn. Bhd.	Director's related corporation.
REPC Services Sdn. Bhd.	Director's related corporation.
Ranhill Consulting Sdn. Bhd.	Director's related corporation.
Nusantara Cement 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..

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) Transactions with related parties (cont'd)

	Group	
	2017	2016
	RM'000	RM'000
(i) Work performed on infrastructure assets and consultancy fees charged to/(by):		
- Ranhill (Chongren) Water Co. Ltd.	963	730
- Ranhill (Yongxin) Water Co. Ltd.	-	1,895
- Ranhill Consulting Sdn. Bhd.	(2,082)	-
- REPC Services Sdn. Bhd.	406	-
- Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd.	1,404	-
- Ranhill E&C Sdn. Bhd.	(3,431)	-
(ii) Rental of office charged to/(by):		
- Nusantara Cement Sdn. Bhd.	(72)	-
(iii) IT and management services rendered from:		
- Ranhill Group Sdn. Bhd.	(53)	(1,380)
- Ranhill Global Systems Sdn. Bhd.	(106)	(256)
- Symphony Share Registrar Sdn. Bhd.	(169)	-
- Symphony Corporatehouse Sdn. Bhd.	(29)	-
(iv) Borrowings and interest payable to:		
- Sabah Energy Corporation Sdn. Bhd.	(1,450)	(1,450)
- Ranhill Global Sdn. Bhd.	(35)	-
(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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	16,781	13,797	6,816	3,529
Contributions to defined contribution plan	1,215	1,639	328	286
Fees and other emoluments	1,840	2,979	864	2,373
	19,836	18,415	8,008	6,188

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

41. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Approved and contracted for	2,359	1,403
Approved but not contracted for	3,792	2,217
	6,151	3,620
Analysed as follows:		
Plant and machineries	3,792	2,217

(b) Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Non-cancellable rental commitments		
Future minimum rentals payable:		
- Within one year	189	3,722
- Between one and five years	338	524
- More than five years	216	-
	743	4,246

(c) Finance lease commitments – as lessee

The Group and the Company have 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.

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 2017				
Financial assets				
- Islamic Managed Funds	-	7,695	-	7,695
- Deposits with other financial instituition	-	3,747	-	3,747
	-	11,442	-	11,442
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

NOTES TO THE FINANCIAL STATEMENTS
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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

	Note	Carrying amount RM'000	Fair value RM'000
Group			
31 December 2017			
Non-current			
Financial asset			
Finance lease receivable	16	508,356	494,500
Financial liabilities			
Sukuk Musharakah ("Sukuk")	30	476,593	375,628
Musharakah Medium Term Notes ("mMTN")	30	544,687	381,769
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

(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 other 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

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 2017		
Malaysia	329,640	95
China	16,352	5
Thailand	1,638	<1
Cayman Island	442	<1
Hong Kong	3	<1
	348,075	100
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

At the reporting date, approximately:

- 74% (2016: 66%) of the Group's trade receivables were due from water revenue customers.
- 26% (2016: 34%) of the Group's trade receivables were due from electricity revenue customers.
- 1% (2016: 12%) 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.

NOTES TO THE **FINANCIAL STATEMENTS**
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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 2017				
Group				
Trade and other payables	362,127	18,949	400	-
Finance lease payables	1,632	1,119	1,723	250
Borrowings	118,199	127,341	304,326	620,000
Total undiscounted financial liabilities	481,958	147,409	306,449	620,250
Company				
Trade and other payables, representing total undiscounted financial liabilities	17,608	-	-	-
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
Company				
Trade and other payables, representing total undiscounted financial liabilities	21,619	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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.

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 RM330,000 (2016: RM362,000) 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% (2016: 1%) of the Group's sales are denominated in foreign currencies whilst almost 3% (2016: 4%) 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 similar 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

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	
		2017	**2016**
		RM'000	**RM'000**
		Profit net of tax	**Profit net of tax**
USD/RM	- strengthened 3%	(28)	(668)
	- weakened 3%	28	668
RMB/RM	- strengthened 3%	(172)	40
	- weakened 3%	172	(40)
THB/RM	- strengthened 3%	(111)	(2)
	- weakened 3%	111	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 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

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.

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	
	2017	**2016 (Restated)**
Net profit attributable to ordinary shares (RM'000)	72,352	55,347
Weighted average number of ordinary shares in issue ('000)	888,316	822,266
Basic/diluted earnings per ordinary share (cents)	8	7

46. CONTINGENT LIABILITIES

(a) 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.

(b) Summons from the Court in People's Republic of China

On 31 October 2017, a wholly-owned subsidiary of the Company, Ranhill Water Technologies (Cayman) Ltd ("RWTC") was served with summons from the court in the People's Republic of China claiming for alleged unpaid fees in the amount of approximately RM12,760,000 (RMB19,900,000) ("the claim") by Wahtoting Holding Ltd ("Wahtoting") to an agreement dated 19 August 2014.

Wahtoting was appointed by RWTC to source for a party to acquire the interest in Ranhill Water (Hong Kong) Limited ("RWHK") and to form a strategic partnership with RWTC. The Agreement was conditional upon key performance indicators ("KPI") to be met by Wahtoting.

The Company has been advised by its legal counsel that the claim is without merit. Accordingly, no provision for any liability has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

47. 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 wastewater 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.

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 2017					
Revenue:					
Sales to external customers	1,169,450	309,269	189,386		1,668,105
Inter-segment elimination	-	-	(189,386)		(189,386)
	1,169,450	309,269	-		1,478,719
Results:					
Gross profit	377,807	86,050	-		463,857
Interest income	8,029	47,500	4,431		59,960
Depreciation	29,017	19,018	210		48,245
Amortisation	325,203	-	-		325,203
Share of results of an associate	3,219	(41)	-		3,178
Other non-cash items	5,746	(43,130)	-	A	(37,384)
Segment profit/(loss)	169,315	50,771	(99,510)		120,576
Assets:					
Additions to non-current assets	84,472	2,583	1,150	B	88,205
Segment assets	1,225,989	1,303,914	202,747		2,732,650
Segment liabilities	688,365	736,143	529,999		1,954,507

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

47. SEGMENTAL INFORMATION (CONT'D)

Business Segments (cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment: (cont'd)

	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	(13,639)	(46,086)	2,256	A	(57,469)
Segment profit/(loss)	155,864	36,558	(95,232)		97,190
Assets:					
Additions to non-current assets	43,670	1,500	848	B	46,018
Segment assets	1,715,092	1,360,548	113,252		3,188,892
Segment liabilities	1,077,100	744,829	622,619		2,444,548

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

47. SEGMENTAL INFORMATION (CONT'D)

A Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	Note	2017 RM'000	2016 RM'000 (Restated)
Finance lease income	6	(43,130)	(46,086)
Finance income from operating financial assets	6	(3,903)	(13,702)
Unwinding of interest from deferred payment arrangement	6	-	(7,643)
Negative goodwill on acquisition	7	-	(438)
Waiver of costs incurred in prior years	7	(5,253)	-
Gain on disposal of subsidiaries	7	(242)	(25,143)
Unwinding of interest of service concession obligations	8	9,451	21,864
Allowance for doubtful debts	9	4,947	4,241
Provision for liquidated ascertained damages	9	746	2,965
Loss on deemed disposal	9	-	6,473
		(37,384)	(57,469)

B Additions to material non-current assets consist of:

	Note	2017 RM'000	2016 RM'000
Property, plant and equipment	13	64,041	45,956
Service concession assets	14	23,791	26
Intangibles - software	15	373	36
		88,205	46,018

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

48. COMPARATIVES

Certain comparatives were restated following the finalisation of the purchase price allocation of the acquisition of remaining interest of RWTC Group during the year as further disclosed in Note 18(c).

49. SUBSEQUENT EVENTS

(i) Redemption of Islamic Medium Term Notes

On 6 December 2017, a subsidiary of the Group, SAJ Capital Sdn. Bhd., proposed to issue an Islamic Medium Term Notes ("IMTN") of up to RM650,000,000 in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement) ("Sukuk Murabahah"), guaranteed by the Company.

The issuance of the Sukuk Murabahah was completed on 26 January 2018.

(ii) Incorporation of a new wholly-owned subsidiary

On 8 March 2018, the Group via its wholly-owned subsidiary, Ranhill Capital Sdn. Bhd. incorporated a new wholly-owned subsidiary in Singapore, namely Ranhill International Pte Ltd with an initial issued share capital of SGD2.00.

PROPERTIES OWNED BY OUR GROUP

As at 31 December 2017

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 2017 (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.	Not applicable	12,371

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

The Company had obtained the Shareholders' Mandate on Renewal Of Recurrent Related Party Transactions Of A Revenue or Trading Nature And New Shareholders' Mandate for Additional RRPT Of A Revenue Or Trading Nature tabled as a Special Business at the Annual General Meeting held on 23 May 2017.

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 2017 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 of the RRPTs which had been conducted pursuant to the Shareholders' Ratification and Shareholders' Mandate and had meet the prescribe threshold.

Transactions entered/ to be entered between RPI and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
SECSB	CULS interest by RPI to SECSB	SECSB	1,450
RGS	Provision of IT related services by RGS to RPI	TSHM HF HI	35

Transactions entered/ to be entered between RPOMI and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RPI	Provision of operating & maintenance services by RPOMI to RPI in respect of the RPI power plant.	TSHM CHEVAL LOSB HF HI SECSB	14,544

Transactions entered/ to be entered between RPOMII and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RPII	Provision of operating & maintenance services by RPOMII to RPII in respect of the RPII power plant	TSHM CHEVAL LOSB HF HI SECSB	14,144

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

Transactions entered/ to be entered between RWSSB and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
SAJR	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by SAJR to RWSSB.	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	74,115

Transactions entered/ to be entered between SAJR and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RC	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects& projects to be awarded by SAJR to RC and RBSB	DMS TSHM	2,082
RWT	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by SAJR to RWT	TSHM CHEVAL LOSB HF HI	11,081
NCSB	Rental of office space by NCSB to SAJR	TSHM	72

DEFINITIONS

The defination shall have the following meanings:-

"NCSB"	:	Nusantara Cement Sdn Bhd (235938-X), a company incorporated in Malaysia
"Person Connected"	:	Persons connected shall have the same meaning as in Paragraph 1.01 of Chapter 1 of LR
"PDT"	:	Permodalan Darul Ta'zim Sdn Bhd (327525-V), a company incorporated in Malaysia
"Proposed New Shareholders' Mandate"	:	Proposed new of shareholders' mandate for Ranhill Group to enter into additional RRPT with Related Parties
"Proposed Renewal of Shareholders' Mandate"	:	Proposed renewal of shareholders' mandate for Ranhill Group to enter into RRPT with Related Parties
"Proposed Shareholders' Mandate"	:	Collectively, the Proposed New Shareholders' Mandate and Proposed Renewal of Shareholders' Mandate
"PSKJ"	:	Perbadanan Setiausaha Kerajaan Negeri Johor [The State Secretary Johore Incorporated] (Enactment No 2 of 1953)

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

"Ranhill" or "the Company"	:	Ranhill Holdings Berhad (1091059-K), a company incorporated in Malaysia
"RBSB"	:	Ranhill Bersekutu Sdn Bhd (72416-T), a company incorporated in Malaysia
"RCSB"	:	Ranhill Capital Sdn Bhd (1110393-P), a company incorporated in Malaysia
"Ranhill Group" or "the Group"	:	Collectively, Ranhill and its subsidiaries, jointly controlled entities and associates companies
"RC"	:	Ranhill Consulting Sdn Bhd (394869-A), a company incorporated in Malaysia
"Related Corporation"	:	A corporation related to Ranhill pursuant to Section 7 of the Act
"Related Party(ies)"	:	A Director, Major Shareholder or person connected with such Director or Major Shareholder
"Related Party Transactions"	:	A transaction entered into by Ranhill Group which involves the interest, direct or indirect, of a Related Party
"RGS"	:	Ranhill Global Systems Sdn Bhd (454531-W), a company incorporated in Malaysia
"RM" and "Sen"	:	Ringgit Malaysia and sen respectively
"RPI"	:	Ranhill Powertron Sdn Bhd (330342-K), a company incorporated in Malaysia
"RPII"	:	Ranhill Powertron II Sdn Bhd (354304-U), a company incorporated in Malaysia
"RPOMI"	:	Ranhill Power O&M Sdn Bhd (417928-T), a company incorporated in Malaysia
"RPOMII"	:	Ranhill Power II O&M Sdn Bhd (354306-D), a company incorporated in Malaysia
"RRPT"	:	Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day to day operations of the Company and/or its subsidiaries in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public and which are expected to occur at least once on three (3) years
"RWSSB"	:	Ranhill Water Services Sdn Bhd (681858-H), a company incorporated in Malaysia
"RWTC"	:	Ranhill Water Technologies (Cayman) Ltd (CT219678), a company incorporated in Cayman Islands
"RWTSB "	:	Ranhill Water Technologies Sdn Bhd (303007-T), a company incorporated in Malaysia
"RWTSB Group"	:	RWTSB and its subsidiaries collectively
"SAJR"	:	SAJ Ranhill Sdn Bhd (476718-H) [Formerly known as SAJ Holdings Sdn Bhd], a company incorporated in Malaysia
"SECSB"	:	Sabah Energy Corporation Sdn Bhd (381950-H), a company incorporated in Malaysia
"SFA"	:	Swissfield Acres Sdn Bhd (1159785-A), a company incorporated in Malaysia
"SGJ"	:	State Government of Johor
"Share(s)" or "Ranhill Shares"	:	Ordinary share(s) each in Ranhill
"Shareholders"	:	Shareholders of Ranhill
"Shareholders' Mandate for RRPT"	:	The Mandate obtained by Ranhill from its shareholders at the 3rd AGM held on 23 May 2017 for Ranhill Group to enter into RRPT pursuant to Paragraph 10.09 of the LR
"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.
"HF"	:	Hamdan (L) Foundation, a foundation established in the Federal Territory of Labuan, Malaysia by TSHM under the Labuan Foundations Act 2010 (FSA00157)
"HI"	:	Hamdan Inc. (Labuan) Pte. Ltd, an investment holding company incorporated under the Labuan Companies Act, 1990 (LL11917)
"DMS"	:	Datuk Mustaza Salim

ANALYSIS OF SHAREHOLDINGS
As at 13 March 2018

Total No. of issued shares : 888,315,767 ordinary shares
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 13 MARCH 2018

Shareholding	No. of Shareholders	%	No. of Shares	%
Less than 100	5,878	37.49	151,251	0.02
100 to 1,000	4,080	26.03	1,638,330	0.18
1,001 to 10,000	4,127	26.33	17,236,375	1.94
10,001 to 100,000	1,393	8.89	42,982,980	4.84
100,001 to less than 5% of issued shares	193	1.23	261,695,177	29.46
5% and above of issued shares	6	0.04	564,611,654	63.56
Total	**15,677**	**100.00**	**888,315,767**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 13 MARCH 2018

		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*(1)	2.72
2.	Tan Sri Hamdan Mohamad	40,370,000	4.54	257,240,098*(2)	28.96
3.	Dato Sri Lim Haw Kuang	-	-	-	-
4.	Tan Sri Saw Choo Boon	-	-	-	-
5.	Datuk Seri Dr. Nik Norzrul Thani Bin Nik Hassan	-	-	-	-
6.	Datuk Abdullah Bin Karim	-	-	-	-
7.	Dato' Zulkifli Bin Ibrahim	150,000	0.02	-	-
8.	Lim Hun Soon @ David Lim	-	-	-	-
9.	Abu Talib Bin Abdul Rahman	27,000	0.00	-	-
10.	Loong Mei Yin	-	-	-	-
11.	Leow Peen Fong	-	-	-	-

(1) 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.

(2) 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.

ANALYSIS OF SHAREHOLDINGS
As at 13 March 2018

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2018

	Direct Interest		Indirect Interest	
Name	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	4.54	(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)77,681,200	8.75	-	-

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) Included 4,936,300 shares under Maybank Asset Management Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS
As at 13 March 2018

30 LARGEST SHAREHOLDERS AS AT 13 MARCH 2018

No.	Particulars	No of Shares	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	102,013,786	11.48%
3.	PERMODALAN DARUL TA'ZIM SDN BHD	94,100,000	10.59%
4.	LEMBAGA TABUNG HAJI	72,494,900	8.16%
5.	RANHILL CORPORATION SDN BHD	65,830,466	7.41%
6.	LAMBANG OPTIMA SDN BHD	48,943,725	5.51%
7.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN MOHAMAD (MGN-HAM007M)	40,370,000	4.54%
8.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAMBANG OPTIMA SDN BHD (HAM0007M)	28,210,083	3.18%
9.	MIDF AMANAH INVESTMENT BANK BERHAD IVT FOR MIDF AMANAH INVESTMENT BANK BERHAD (ACCOUNT 2)	24,671,300	2.78%
10.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION	20,143,200	2.27%
11.	YPJ CORPORATION SDN BHD	20,041,633	2.26%
12.	ABB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR VIRTUOSO CAPITAL SDN BHD	11,500,000	1.29%
13.	HAMDAN INC. (LABUAN) PTE LTD	11,242,038	1.27%
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG)	8,000,000	0.90%
15.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOLTON BERHAD (49365 JPLE- ODRC2)	7,469,700	0.84%

ANALYSIS OF SHAREHOLDINGS
As at 13 March 2018

30 LARGEST SHAREHOLDERS AS AT 13 MARCH 2018 (CONT'D)

No.	Particulars	No of Shares	Percentage %
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ISLAMIC ASSET MANAGEMENT SDN BHD (RESIDENT) (475391)	5,979,700	0.67%
17.	CARTABAN NOMINEES (ASING) SDN BHD BCSL CLIENT AC PB CAYMAN CLIENTS	4,045,600	0.46%
18.	AFFIN HWANG INVESTMENT BANK BERHAD IVT (000) FOR INVESTMENT	3,916,600	0.44%
19.	MUHAMAD ALOYSIUS HENG	3,052,800	0.34%
20.	PERTUBUHAN PELADANG KEBANGSAAN	3,000,000	0.34%
21.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIAS BAER & CO. LTD (SINGAPORE BCH)	2,676,803	0.30%
22.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB TRUSTEE BERHAD (TR1032)	2,500,000	0.28%
23.	VIRTUOSO CAPITAL SDN BHD	2,500,000	0.28%
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (GROUP PRF)	1,815,300	0.20%
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD (RESIDENT)	1,621,900	0.18%
26.	MOHAMED AZMAN BIN YAHYA	1,500,000	0.17%
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI CHEE CHONG (472169)	1,414,700	0.16%
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (002)	1,310,000	0.15%
29.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	1,233,900	0.14%
30.	PUBLIC INVEST NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MUHAMAD ALOYSIUS HENG	1,222,600	0.14%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Fourth (4th) Annual General Meeting ("AGM")** of Ranhill Holdings Berhad ("Ranhill" or "the Company") will be held on **Tuesday, 8 May 2018 at 10.00 a.m.** at the Johor Conference Hall, Level 1, Forest City Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Darul Takzim for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 2017. (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 Azman Yahya (Ordinary Resolution 2)
   (b) Mr Lim Hun Soon @ David Lim (Ordinary Resolution 3)
   (c) En Abu Talib Abdul Rahman (Ordinary Resolution 4)

4. To re-elect Ms Leow Peen Fong who retires in accordance with Article 84 of the Company's Constitution, and being eligible, has offered herself for re-election. (Ordinary Resolution 5)

5. To approve the payment of Directors' fees and benefits from 9 May 2018 until the conclusion of the next Annual General Meeting of the Company. (Ordinary Resolution 6)

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 7)

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 8)

   "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 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)."

NOTICE OF ANNUAL GENERAL MEETING

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 9)

"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 parties as set out in Section 2.5(I) of the Circular to Shareholders dated 16 April 2018 ("the Related Parties") 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 2.5(I) 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."

9. **Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")** (Ordinary Resolution 10)

"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 parties as set out in Section 2.5(II) of the Circular to Shareholders dated 16 April 2018 ("the Related Parties") 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.

NOTICE OF ANNUAL GENERAL MEETING

("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 2.5(II) 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 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 2017 ("Dividend") under Ordinary Resolution 1 at the 4th AGM of the Company, the Dividend will be paid to the shareholders on Wednesday, 30 May 2018. The entitlement date for the Dividend shall be Friday, 18 May 2018.

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, 18 May 2018 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
16 April 2018

NOTICE OF ANNUAL GENERAL MEETING

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/her 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, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than Monday, 7 May 2018 at 10.00 a.m.**

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 4th AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/e-polling process and verify the results of the poll respectively.

Members Entitled to Attend

In respect of deposited securities, only a member whose name appears in the General Meeting Record of Depositors as at 2 May 2018 shall be entitled to attend, speak and vote at the 4th AGM.

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.

Explanatory Notes on Ordinary Resolution 1, 6, 8, 9, and 10

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 company solvent. On 13 February 2018, 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 30 May 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

Ordinary Resolution 6 – 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 9 May 2018 up till the next Annual General Meeting of the Company in 2019 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 Chairman 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 8 - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution proposed under Resolution 8 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 8, 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

NOTICE OF ANNUAL GENERAL MEETING

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 9 – Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) Of A Revenue Or Trading Nature

The proposed Resolution 9, 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 this proposal is set out in the Circular to Shareholders dated 16 April 2018, which is despatched together with the Company's 2017 Annual Report.

Ordinary Resolution 10 – Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")

The proposed Resolution 10, 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 proposal is set out in the Circular to Shareholders dated 16 April 2018, which is despatched together with the Company's 2017 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1) DETAILS OF INDIVIDUALS WHO SEEKING ELECTION

No individual is seeking for election as a Director at the forthcoming Fourth Annual General Meeting of the Company ("4th AGM").

2) STATEMENT RELATING TO GENERAL MANDATE FOR ISSUE OF SECURITIES IN ACCORDANCE WITH PARAGRAPH 6.03(3) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The Ordinary Resolution proposed under Resolution 8 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 8, 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.

As at the date of the Notice of 4th AGM, the Directors have not utilised the mandate granted to the Directors at the last Third Annual General Meeting of the Company held on 23 May 2017 and the said mandate will lapse at the conclusion of the forthcoming 4th AGM 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.

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 Fourth (4th) Annual General Meeting of the Company to be held on Tuesday, 8 May 2018 at 10.00 a.m. at the Johor Conference Hall, Level 1, Forest City Phoenix Hotel, Jalan Forest City 1, Pulau Satu, 81550 Gelang Patah, Johor Darul Takzim and at any adjournment thereof on the following resolutions in the manner indicated below:-

My/our proxy is to vote as indicated below.

(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/her discretion or as he/she 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 2017.		
Ordinary Resolution 2	To re-elect Tan Sri Azman Yahya pursuant to Article 101		
Ordinary Resolution 3	To re-elect Mr Lim Hun Soon @ David Lim pursuant to Article 101		
Ordinary Resolution 4	To re-elect En Abu Talib Bin Abdul Rahman pursuant to Article 101		
Ordinary Resolution 5	To re-elect Ms Leow Peen Fong pursuant to Article 84		
Ordinary Resolution 6	To approve the payment of Directors' fees and benefits from 9 May 2018 until the conclusion of the next Annual General Meeting of the Company		
Ordinary Resolution 7	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 8	To authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 9	Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) Of A Revenue Or Trading Nature		
Ordinary Resolution 10	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 2018

____
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 2 May 2018 shall be entitled to attend, speak and vote at the 4th 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.

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Ranhill Holdings Berhad
4th Annual General Meeting
8 May 2018

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

Fold here

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/her 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, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than Monday, 7 May 2018 at 10.00 a.m.**

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 4th AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling/e-polling process and verify the results of the poll respectively.

www.ranhill.com.my

RANHILL HOLDINGS BERHAD (1091059-K)
Bangunan SAJ Ranhill, Jalan Garuda, Larkin
80350 Johor Bahru, Johor Darul Takzim, Malaysia

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