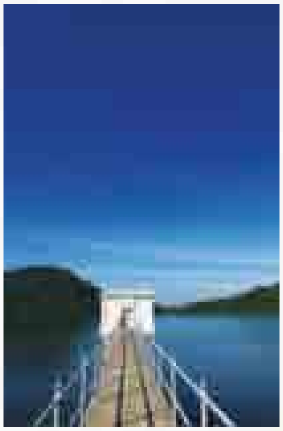
Ranhill

SUSTAINING OUR STRENGTH
> MOVING FORWARD

Annual Report **2018**






SUSTAINING OUR STRENGTH > MOVING FORWARD

As the need for clean energy and clean water supply grow, Ranhill sustained its strength in becoming a regional leader in the Environmental and Power Sector. Through our niche capabilities and expertise, we have always been driven by our core businesses in the resilient environment, bolstering on our track record for delivering excellent performance while setting new benchmarks for health, safety and environment.

Moving forward, we are focused on achieving greater success in the provision of sustainable business operations across ASEAN region and beyond.

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 at 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 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 2018

Objective

- Provides a comprehensive discussion of the Group's performance

SUSTAINABILITY REPORT 2018

Objective

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

5th Annual General Meeting of Ranhill Holdings Berhad

Grand Ballroom, Level 11
Double Tree by Hilton Hotel Johor Bahru
No. 12 Jalan Ngee Heng
80000 Johor Bahru, Johor

Thursday, 11 April 2019 | 10.00 a.m.

For more information visit our website
www.ranhill.com.my

Water
Supply
Services

Water and
wastewater
treatment

Non-
Revenue
Water

Clean
Energy

WHAT'S INSIDE

RANHILL FACT SHEET

3,012
Employees

Provides Water To
3.7 Million
People

Provides Electricity To
1.4 Million
People

CORPORATE INFO

99.8%
Water Supply Coverage Areas

674 active reservoirs & **44** water treatment plants

Reduction on NRW level to
24.19%

Total Water and Wastewater Treatment Capacity
2,362 MLD

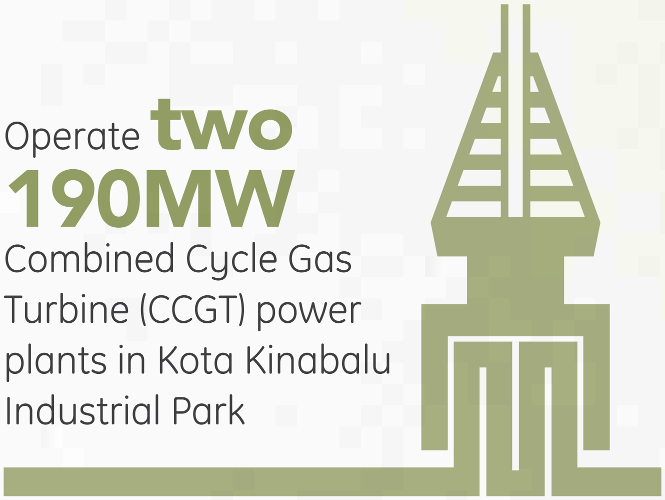
Local
85.8%
International
14.2%

10 water treatment, wastewater treatment & reclaim water facilities in Thailand & **11** wastewater treatment plants in China

22,495KM
of pipelines, of which **19,031KM** are reticulation mains, **3,298KM** of distribution mains and **166KM** of raw water mains

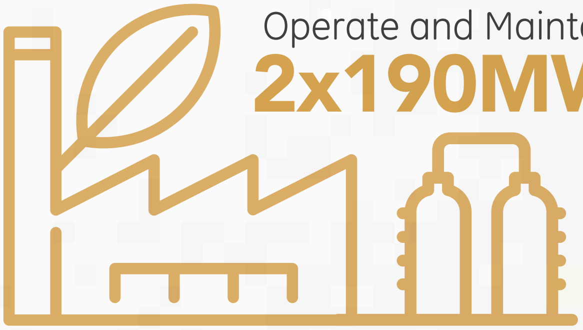
ENVIRONMENT

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

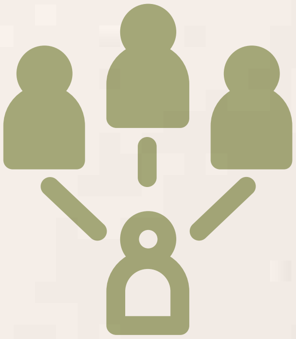


We are the largest Independent Power Producer (IPP)
within the state of Sabah in Malaysia

CLEAN ENERGY

100%
of new hires attended the onboarding programme

Staff training and development budget increase by
24.79% to
RM2.96
million



DEVELOPMENT ROLE

OUR PRESENCE

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

CHINA

- Concession agreement with local authorities or industrial park management councils
- 11 wastewater and reclamation treatment plants, ranging from **25-30 years**
- Total treatment design capacity of **222 MLD**

THAILAND

- 10 water and wastewater treatment plants and reclamation plant with industrial park developers and other private enterprises
- Total treatment design capacity of **114 MLD**

MALAYSIA

Water Supply Services in Johor, Malaysia

- Exclusive license to provide source-to-tap water supply services throughout the State of Johor
- Johor is the second most populous state with approximately 3.7 million population as at December 2018
- 44 water treatment plants
- Total treatment design capacity of **2,026 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

3 countries

Malaysia, Thailand, China

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI AZMAN YAHYA
Chairman/Independent Non-Executive Director

TAN SRI HAMDAN MOHAMAD
Executive Director/President and Chief Executive

DATO SRI LIM HAW KUANG
Executive Director

DATUK ABDULLAH KARIM
Senior Independent/Non-Executive Director

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

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

ENCIK ABU TALIB ABDUL RAHMAN
Independent/Non-Executive Director

MS LEOW PEEN FONG
Independent/Non-Executive Director

Note:

(1) Datuk Abdullah Karim had been re-designated as Senior Independent/Non-Executive Director of the Company w.e.f 13 November 2018.

(2) Datuk Zulkifli Ibrahim had resigned as Independent/Non-Executive Director of the Company w.e.f. 1 June 2018.

(3) Tan Sri Saw Choo Boon had resigned as Senior Independent/Non-Executive Director of the Company w.e.f. 1 September 2018.

(4) Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani had been re-designated as Senior Independent/Non-Executive Director of the Company w.e.f. 1 September 2018. Later, he tendered his resignation as Senior Independent/Non-Executive Director of the Company w.e.f 18 September 2018.

AUDIT COMMITTEE ("AC") MEMBERS

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

MS LEOW PEEN FONG
Member (Appointed w.e.f 13/11/2018)
Independent/Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent/Non-Executive Director

Note:

(1) Arising from the resignation of Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani as Senior Independent/Non-Executive Director of the Company w.e.f. 18 September 2018 consequently, he also had ceased to be a member of the AC and GRMC with effect from the same instant.

(2) Ms Leow Peen Fong was appointed as member of AC w.e.f 13 November 2018 in place of Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani.

NOMINATING AND REMUNERATION COMMITTEE ("NRC") MEMBERS

DATUK ABDULLAH KARIM (CHAIRMAN)
Member
Senior Independent/Non-Executive Director

TAN SRI AZMAN YAHYA
Member
Independent/Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent/Non-Executive Director

Note:

(1) Arising from the resignation of Tan Sri Saw Choo Boon as Senior Independent/Non-Executive Director of the Company w.e.f. 1 September 2018, consequently, he also had ceased to be a member/Chairman of the NRC with effect from the same instant.

(2) Datuk Abdullah Karim was appointed as Chairman of NRC w.e.f. 1 September 2018 in place of Tan Sri Saw Choo Boon.

GOVERNANCE AND RISK MANAGEMENT COMMITTEE ("GRMC") MEMBERS

MS LEOW PEEN FONG (CHAIRMAN)
Member (Appointed w.e.f 1/9/2018)
Independent/Non-Executive Director

DATO SRI LIM HAW KUANG
Member
Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent/Non-Executive Director

Note:

(1) Arising from the resignation of Tan Sri Saw Choo Boon as Senior Independent/Non-Executive Director of the Company w.e.f. 1 September 2018, consequently, he also had ceased to be a member/Chairman of the GRMC with effect from the same instant.

(2) Ms Leow Peen Fong was appointed as Member and Chairman of GRMC w.e.f. 1 September 2018 in place of Tan Sri Saw Choo Boon.

CORPORATE INFORMATION

STRATEGY AND INVESTMENT COMMITTEE ("SIC") MEMBERS

TAN SRI AZMAN YAHYA (CHAIRMAN)
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
Independent/Non-Executive Director

Note :

Arising from the resignation of Datuk Zulkifli Ibrahim as Independent/Non-Executive Director of the Company w.e.f. 1 June 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 Ranhill SAJ
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

BOARDROOM SHARE REGISTRARS SDN BHD
(Formerly known as 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 acquisition of Symphony House Berhad.

CHAIRMAN'S STATEMENT

TAN SRI AZMAN YAHYA
Chairman
Independent/Non-Executive Director

ON THE ECONOMIC FRONT, MALAYSIA'S GROSS DOMESTIC PRODUCT ("GDP") **GREW BY 4.7%** AS THE NATION CONTINUED TO FACE THE HEADWINDS OF VOLATILE CRUDE OIL PRICES, LOWER PUBLIC INVESTMENT AND SLOWER EXPORT GROWTH.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of Ranhill Holdings Berhad ("Ranhill" or "the Group") for the financial year ended 31 December 2018 ("FY2018").

CHAIRMAN'S STATEMENT

Looking at the macro-economic and socio-political environment, FY2018 was certainly a year of considerable change for Malaysia. The 14th General Elections marked a historic milestone in our nation's history with an unprecedented change in the Federal government. The transition was peaceful and smooth and reflected well on the political maturity, harmony and tolerance among the people of Malaysia.

On the economic front, Malaysia's gross domestic product ("GDP") grew by 4.7% as the nation continued to face the headwinds of volatile crude oil prices, lower public investment and slower export growth. The ongoing trade dispute between the US and China, interest rate hikes by the US Federal Reserve and continuing instability in the Middle East were also factors that affected overall global economic growth with the consequential negative impact on the local economy.

Notwithstanding this challenging backdrop, Ranhill continued to pursue our business strategies diligently both within Malaysia and the overseas markets we operate in.

Underpinned by increasing demand for clean energy and water, the Group has maintained its growth momentum as reflected by another year of robust revenue and profit performance. We have continued to secure contracts for our environment businesses which has strengthened our revenue streams by delivering recurring income, which is a key objective of the Group.

The Ranhill brand continues to be well received on the back of the exemplary track record we have built across the years notably for our extensive capabilities, technological know-how, operational reliability and cost effectiveness. Equally important is our excellent performance in health, safety and environmental ("HSE") standards.

The specific details of our FY2018 highlights and achievements can be found in the Management Discussion and Analysis section of this annual report.

Our achievements in FY2018 further strengthened the Group's business fundamentals towards achieving operational sustainability. We continued to progress steadily towards realising our aspiration, which is to own and operate gross 1000 MW power plants that deliver clean energy and 3000 MLD water and wastewater treatment capacity, of which 400 MLD would be derived from international operations by the year 2022.

We remain cognisant that the journey ahead is challenging. We will continue to pursue our strategies with relentless energy to remain ahead of the intensifying competition in the business sectors that we operate in.

CORPORATE GOVERNANCE

As we build and move forward in the pursuit of new and rewarding business opportunities, we will continue to pursue efforts to build a better Ranhill. We are committed to achieve high standards corporate governance and sustainability by developing a sound internal culture and mindset where we place importance not just on professionalism and competence but together with high standards for transparency, accountability and integrity within our operations.

The Board continues to emphasize the importance of good business practices and ethical behaviour across all levels of the Group. Ultimately, good governance is good business and the rewards of pursuing corporate governance will lead to value creation for the organisation and all of our stakeholders.

CHAIRMAN'S STATEMENT

In FY2018, the Group has enhanced its corporate governance practices by enhancing internal practices and establishing milestones for improvements to existing practices. We now have a clear policy on engagement with external auditors. Our corporate governance framework is also increasingly becoming more aligned with the Malaysia Code of Corporate Governance 2017 ("MCCG 2017").

Likewise, our approach to sustainability which is inherent to a circular economy approach safeguards the future of all stakeholders. In this area, we have also made significant strides and the full details of our sustainability related successes are given in our Sustainability Report 2018 ("SR2018").

LOOKING FORWARD

On the back of improving economic conditions and greater demand for clean water and clean energy, Ranhill Holdings Berhad ("Ranhill" or "The Group") is cautiously optimistic of making headway in FY2019. Under the new government, renewable energy ("RE") and cleaner energy has become key deliverables for Malaysia moving forward. Ranhill is well poised to tap on the emerging opportunities.

We identified several opportunities as announced by the Government under the 11th Malaysia Plan. These include the Green Technology Financing Scheme to promote investment in green technology industries; the RM1.4 billion allocation to implement non revenue water or 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.

The recent joint billing for water and sewerage services that was signed with Indah Water Konsortium Sdn Bhd in November 2018 in Johor also affords exciting possibilities to understand the sewerage business as we explore the integration of these services in the near future. Given our track record and our proven capabilities, Ranhill is well placed to grow. The key would be to secure viable projects and to ensure excellent execution and project delivery.

We remain committed to not just providing clean and sustainable water supply, but in contributing to infrastructure development, addressing non-revenue water issues, developing local talent as well as our efforts in producing clean energy. We continue to look forward to be playing our role in prospering the nation and its people, in particular in developing Johor and Sabah.

ACKNOWLEDGEMENTS

On behalf of the board, I wish to express our heartfelt appreciation to our shareholders for your continued vote of confidence to the Group. We also extend our thanks to the many Ranhill employees for their professionalism and contributions throughout the years. In the same vein, I convey my gratitude to my fellow Board members for their wise counsel and support, and to Tan Sri Hamdan Mohamad and his Senior Management team for having steered Ranhill to new horizons of promise and potential that await us in FY2019.

Thank you.

TAN SRI AZMAN YAHYA
Chairman
Independent/Non-Executive Director

PRESIDENT'S MESSAGE

RANHILL
POSTED PROFIT
BEFORE TAX OF
RM152.1 MILLION

Dear Shareholders,

It is with pleasure that I share with you on the growth and progress achieved by Ranhill Holdings Berhad ("Ranhill" or "the Group") during the year under review.

REVENUE

RM1.560 BIL > +5.5%

TAN SRI HAMDAN MOHAMAD
Executive Director/
President and Chief Executive

PRESIDENT'S MESSAGE

Financial Year ended 31 December 2018 ("FY2018") proved to be a year of unpredictability amidst significant change and fluidity. The global economy was impacted by the volatility of crude oil prices as well as ongoing trade wars between China and the US and various other issues; all of which contributed to instability and overall slower growth of 3.7%. Facing considerable economic pressures, Malaysia registered less than stellar gross domestic product ("GDP") growth of 4.9%.

Amidst this backdrop of turbulence and uncertainty, Ranhill has delivered another year of revenue growth while registering various other business and operational achievements. I am pleased to share that despite the many difficulties faced, we have stayed the course towards realising our 2022 targets while further bolstering our credibility as an industry leader for the environment and power sector, in Malaysia, Thailand and China.

FINANCIAL RESULTS

In FY2018, the Group revenue rose by 5.5% to reach RM1.560 billion while profit before tax and profit after tax were RM152.1 million and RM85.5 million respectively. The growth in revenue is attributed to a stronger contribution from our environment sector, namely Ranhill SAJ Sdn Bhd ("RanhillSaj"), while our power division maintained its steady top-line performance.

As of 31 December 2018, treated water revenue from RanhillSaj accounted for RM1.192 billion (FY2017: 1.132 billion) of the Group revenue with a net profit after tax of RM116.65 million.

The Board has declared a dividend payout of 6.0 sen per share subject to shareholder approval in the upcoming Annual General Meeting ("AGM"). The total dividend payout ratio of 126% (excluding impairment @ 86.9%) is a reflection of Management's continued commitment to reward shareholders and exceeds our commitment to return 50%-70% of earnings to shareholders via dividends.

DOMESTIC BUSINESS & OPERATIONAL HIGHLIGHTS

In FY2018, the Group continued to strengthen its business presence. Within the environment sector, we have progressed steadily – securing new contracts and expanding our operational base in the key geographic locations we operate in; Johor state in Malaysia, Thailand and China.

In line with the Federal Government's aspiration to integrate Sewerage Services with Water Supply Services, the Group is moving towards taking over the operations of Sewerage Services in the State of Johor. This effort is supported with the extensive experience gained from our wastewater treatment plants and reclamation water treatment plants built in Thailand and China. Our operations in China and Thailand treats industrial wastewater which is much more concentrated compared to domestic sewage.

Another significant highlight was Ranhill Water Technologies Sdn Bhd ("RWT") being awarded a local sewage treatment plant ("STP") contract in Malaysia. In June 2018, RWT secured the iconic Forest City project of the Johor coast. The Forest City STP gives us further credence as we bid for similar contracts not only with Forest City but other property developers in Malaysia. Securing and implementing this project in a timely manner will enable the Ranhill brand to chart a new growth path into the domestic STP niche segment.

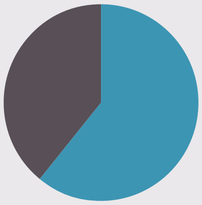
On a separate note, RanhillSaj achieved 100% compliance to SPAN's KPI for Non-Revenue Water ("NRW") Percentage, Physical Losses: Litre / Connection / Day and Commercial Losses (Meter Faulty & Malfunction Meter). We have also achieved a 0.3% reduction in NRW which equates to 35 MLD. This which further solidifies our reputation within Johor and across Malaysia as a leader for NRW management.

In FY2018, the Teluk Salut Power Station and the Rugading Power Station delivered 1,175 GWh and 1,077 GWh of electricity respectively to the Sabah grid. Both plants outperformed the Purchasing Power Agreement ("PPA") limit of 87%, maintaining an average equivalent availability factor of above 90% for the financial year.

INTERNATIONAL HIGHLIGHTS

Looking abroad, Ranhill has been successful in securing projects for water, wastewater and reclaimed water treatment facilities. In FY2018, the Group has grown its total treatment capacity to 336 MLD from 290 MLD with China growing by 18.4% to 222 MLD (FY2017:187.5 MLD) and Thailand by 11.76% to 114 MLD (FY2017:102 MLD). We have also increased the capacity of our water recycling treatment facilities from 10 MLD to 17 MLD in Thailand. This further reflects Ranhill's capabilities in this area and provides us with the impetus to explore similar opportunities in Malaysia. Our new business expansion in Concession Projects yield an Internal Rate of Return (IRR) of more than 10% to ensure successful growth for the Group.

Our newly commissioned reclamation water treatment plant in Thailand was officiated on 25th of January 2019 by our Deputy Prime Minister, Y.A.B. Dato' Seri Dr Wan Azizah binti Wan Ismail in Bangkok, Thailand.



126%

(excluding impairment @ 86.9%)

The total dividend payout ratio of 126% (excluding impairment @ 86.9%) which exceeds the Group's commitment to return 50%-70% of earnings to shareholders via dividends

ISSUES & CHALLENGES AFFECTING GROUP OPERATIONS

The biggest threat to the Group operations comes from climate change. For Ranhill, climate change is material as it would impact the availability and quality of raw water supply to our water treatment plants, which in turn affects our ability to provide treated water to customers. Any reduction in source yield will affect the extraction of water supply. Climate change impacts is given in greater detail in our Sustainability Report, which can be viewed at https://www.ranhill.com.my/sustainability/sustainability-report/.

However, climate change is not just an issue for Ranhill, but also for the societies in the countries we operate in. Climate change leads to a wide range

PRESIDENT'S MESSAGE

of socio-environmental impacts which then progressively become economic issues. Aside from climate change, there are also other factors that impede the ability of Ranhill to operate and to create value. These include diminished quantity and quality of raw water (from non-climate change related developments), the low load factor for our power plants and other issues.

During the year, there were several occasions where our Sungai Layang water treatment plant needed to tap additional water sourced from Sungai Johor and the Seluyut Dam for raw water transfer to ensure adequate supply to the Iskandar Puteri & Pasir Gudang area in Johor. This was due to the fact that the existing water sources were inadequate to meet production demand as the average amount of precipitation in the catchment area is lesser for the period.

In mitigating against seasonal additional demand, RanhillSaj has proposed to construct a 50 MLD package plant in Sungai Johor WTP to ensure the security of water supply to the Kota Tinggi and Johor Bahru areas, pending the completion of the new 320 MLD Sungai Layang WTP. The 50 MLD WTP will be built and completed in in FY2019.

On a separate note, RanhillSaj is committed to working with the Federal Government to set-up additional WTPs which will reduce our dependence on treated water supply from Singapore.

Our power sector also continued to face low generation despatch, which is beyond the Group's control. The stiff competition in Sabah with the presence of many independent Power Producer ("IPP") operators have compounded the situation. We were also impacted by the state government's decision to halt plants for a power plant on the east coast as Ranhill was part of the consortium.

Our power division was also affected by the cancellation of the 300 MW Sandakan cycle gas turbine ("CCGT") power plant and the Tawau Geothermal project during the financial year.

However, we are confident that with plans to upgrade transmission lines and growing demand for power due to infrastructure development, we will see improvements going forward.

LOOKING AHEAD – FUTURE PLANS & STRATEGIES

We believe that given the present uncertainties in the macro-environment, both globally and in Malaysia, FY2019 warrants the Group to adopt a more cautious approach. We will continue to pursue suitable growth opportunities, both vertically and horizontally across our value chain but we will be prudent in our strategies to avoid depleting shareholders' value. All potential ventures must yield a strong business case and be value-accretive while meeting short and long term targets for financial and non-financial returns.

With regards to the water industry, we are cautiously optimistic of prospects given the increased focus on the following key areas: reduction of NRW, the revitalisation of water infrastructure and services in urban areas, and new water infrastructure in rural areas. In particular, we believe we can secure emerging opportunities in Johor given our track record and presence within the local market.

With regards to NRW, approximately RM3.4 billion has been allocated for the Accelerated NRW Reduction Programme in Johor with a target set to achieve 5% NRW in the next five to seven years. The programme will save Johor 323 MLD by the year 2026 which is equivalent to supplying 323,000 homes. Given our reputation for consistency and reliability, we are confident of sustainably managing our water resources to achieve our set target. RanhillSaj will also be looking to address meter readings, water theft and illegal use of water in Johor.

Similarly, securing the Forest City STP project will hold Ranhill in good stead when bidding for water and wastewater treatment opportunities with water operators and developers in Malaysia. This includes domestic wastewater treatment plants, with the goal of producing treated water for non-potable use. We are also optimistic of securing more industrial water and wastewater treatment projects with additional treatment capacity not only from Amata Industrial Park but also other industrial parks in Thailand.

Across our business operations, we shall continue to enhance our technology and capability base by seeking strategic partnerships with technology and solutions providers, both locally and abroad. Our goal is to progressively evolve into a one-stop system integrator providing comprehensive and customised solutions to customers' unique requirements.

With regards to the prospects of the power sector in FY2019, Ranhill will continue to explore projects involving CCGT power plants, which is our inherent area of competency while exploring renewable energy projects such as solar and geothermal.

South East Asia offers exciting opportunities for power plant projects given the rapid population growth and rapid modernisation taking place across the region. The challenge though is the lack of a comprehensive regulatory framework and structure across Indochina countries. We are cognisant that this may present an obstacle, but we remain undeterred that over time, we have a very tangible opportunity of bringing our expertise and experience in CCGT power generation to Thailand, and other parts of Indochina.

In fact, on 21 February 2019, Ranhill signed a collaborative agreement with Thailand's Treasure Specialty Co. Ltd ("TS Co") to jointly set-up a 1,150 MW CCGT power plant in Kedah with 100% of power generated exported to southern Thailand. Our choice of partnering TS Co is based on our prior experience of working with the company. TS Co is the advisor for the Group's Thai water projects and is a specialist in project development, fundraising and financial restructuring.

The agreement is strategically aligned to Ranhill's aspirations of expanding our power business division regionally, especially into Southern Thailand, where there is a pressing need for clean electricity to fuel infrastructure and economic development. The CCGT power plant will also drive development and job creation in Northern Kedah.

APPRECIATION

I wish to express my gratitude to our employees who have journeyed with us during FY2018. Thank you for your continued dedication, professionalism and contributions which have played a pivotal part in the achievements registered during the year under review. In the same vein, I wish to extend my appreciation to the Board of Directors and Senior Management for their tireless counsel as well as to our business and financial partners, the regulatory authorities, our customers and shareholders for your continued support and vote of confidence. Thank you. We shall endeavour to continue achieving greater accomplishment together in the financial year ahead.

TAN SRI HAMDAN MOHAMAD
Executive Director/
President and Chief Executive

MANAGEMENT DISCUSSION & ANALYSIS

The Group's largest contributor to revenue is its environment sector, which accounts for

80%

of revenue. The power sector contributes up to 20%

Profit Net of Tax Attributable to Owners of The Parent **RM42.3MIL**

Reduction in NRW level in Johor from 24.5% to **24.19%**, saving 35 MLD equates to RM5.8 million per annum

The new reclamation water treatment plant has increased the Group's reuse and recycle treatment capacity in Thailand to

17 MLD

from 10 MLD

OUR REVENUE CONTRIBUTORS

Environment sector : RM1.250 billion (FY2017:RM1.169 billion) a 6.9% increase
Power Sector : RM309 million (FY2017:RM309 million).

GROUP EARNINGS PERFORMANCE

Profit Net of Tax Attributable to Owners of The Parent: RM42.3 million (FY2017:RM72.4 million), a 41.5% decrease

DIVIDENDS DECLARED

6.0 sen per share with total dividend pay-out of RM53.3 million (FY2017: 5.0 sen per share with total dividend pay-out of RM44.4million)

KEY BUSINESS & OPERATIONAL HIGHLIGHTS

The key successes are elaborated as below:

- 0.3% reduction in NRW which equates to 35 MLD for FY2018
- Awarded construction of 50,000 Population Equivalent ("PE") sewage treatment plant at Forest City, Johor
- Secured two new projects in Amata to increase Ranhill's total treatment capacity in Thailand to 114 MLD (FY2017:102 MLD).
- Group unrestricted cash position has increased by 42.08% to reach RM200.82
- Inked collaboration agreement with Thailand's Treasure Specialty Co. Ltd (TS Co) to develop a 1,150 MW combined cycle gas turbine ("CCGT") power plant in Kedah; with 100% power generated exported to Thailand.

OVERVIEW OF GROUP BUSINESS AND OPERATIONS

Ranhill Holdings Berhad ("Ranhill" or "the Group") undertakes the businesses of water supply, the operation of water and wastewater and reclaimed water 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. The environment sector contributed 80% of the Group revenue and the balance 20% from the power sector operations.

ENVIRONMENT SECTOR

Ranhill SAJ Sdn Bhd ("RanhillSaj"), the Group's subsidiary, is in the principal business of production and distribution of treated water. It operates 44 water treatment plants with a total capacity of 2,026 MLD. Its network system as at 31 December 2018 comprised 674 reservoirs and 22,495km of pipelines, making RanhillSaj the most efficient water operator in Malaysia in terms of Non-Revenue Water ("NRW") losses of 17 m3/km/day. Going forward, Ranhill Water Services Sdn Bhd ("RWS") will be working closely with RanhillSaj in the quest to achieve 5% NRW level in the next five to seven years.

RanhillSaj provides source to tap services to about 3.7 million people and industries in Johor. RanhillSaj remains the Group's main revenue contributor, contributing 80% of the Group revenue.

The Group's wholly owned subsidiary, RWS focuses primarily on the management of NRW. In FY2018, RWS has assisted RanhillSaj in reducing their NRW level in Johor from 24.5% to 24.19%, saving 35 MLD in the process. In Kelantan, with the recent pipe replacement contract awarded by Pengurusan Aset Air Berhad ("PAAB") valued at RM23 million, RWS aims to further strengthen its presence in the state while contributing to the development of the Kelantan's water supply infrastructure.

Since 2005, RWS has saved more than 500 MLD of treated water in 6 states in Malaysia and in Riyadh, Saudi Arabia.

RWS' MLD PERFORMANCE:

STATE / REGION	MLD
Johor	280
Melaka	59
Kedah	54
Kelantan	43
Terengganu	50
Pahang	4
Riyadh (Saudi Arabia)	54

In Thailand, via Ranhill Water Technologies Sdn Bhd ("RWT"), the Group undertakes Build-Operate-Transfer ("BOT") Projects as well as Operations and Maintenance Projects. It currently operates 10 water, wastewater and reclaimed water treatment facilities with a total aggregate capacity of 114 MLD. In China, RWT which is strategic partnership with SIIC Environment Holdings Ltd, operates 11 wastewater treatment plants with a total aggregate capacity of 222 MLD. Our concessions in China range for long periods between 25-30 years.

MANAGEMENT DISCUSSION & ANALYSIS

POWER SECTOR

Ranhill, via its two subsidiaries in power sector is the owner and operator of two combined-cycle gas turbine ("CCGT") power plants which provide a combined electricity generation capacity of up to 380 MegaWatt ("MW") of clean energy. Our power plants, located in Kota Kinabalu Industrial Park generate approximately 37% of the total installed capacity of independent power producers ("IPP"), effectively placing Ranhill as the largest independent power producer in Sabah.

The revenue from our power business is derived from the sale of electricity to Sabah Electricity Sdn Bhd ("SESB") under the terms of the Power Purchase Agreements.

LONG TERM OBJECTIVES & STRATEGIES

ENVIRONMENT SECTOR

In line with the increasing needs for clean water and energy, Ranhill through its niche capabilities, expertise and a proven track record is well positioned to meet the needs for sustainable sourced water and power. Its strategic focus is to expand its footprint across Malaysia and overseas.

The Group remains on track to achieve its target of owning and operating:
- 3,000 MLD water and wastewater treatment capacity, with a target of 400 MLD from international operations by year 2022 and;
- Gross 1,000 MW power plants that deliver clean energy.

The 400 MLD international target is a reduction from the initial 700 MLD envisaged as we foresee that the expansion in China will be affected by the on-going trade war, slowing down of the economy, stiff competitions amongst local competitors, tight bank controls and financing restrictions coupled with limited projects that can generate returns in excess of 10%. However, the shortfall is expected to be compensated domestically via potential STP operations in the State of Johor through the integration of sewerage with water supply services.

The Group also intends to achieve more balanced revenue and earnings spread between domestic and overseas operations. At present, the Malaysia operations from both the environment and power account for 97.8% of revenue and 88.8% of profit after tax ("PAT") respectively.

Going forward, due to the climate change and high level of pollution, raw water yield especially for those rivers supplying to the southern part of Johor, has been rapidly dwindling. As such, Ranhill, together with NIRAS, are in the process of conducting a detailed regional airborne study in the western and southern parts of Johor to explore the availability of groundwater as an alternative source of water. Based on its preliminary study, there are potential available capacities of up to 500 MLD in the Western areas from Batu Pahat to Pontian and up to 100 MLD in Johor Bahru/Pasir Gudang areas.

Other strategies to address the tight reserves in raw and treated water is to accelerate the implementation of NRW Reduction Program to achieve the target of 5% by 2026. This initiative is expected to recover up to 350 MLD of potable water. Ranhill is also planning to implement a 30 MLD waste water recycling plant for the industrial areas in Pasir Gudang and this will improve the availability of potable water to non-industrial uses. Other related objectives and aspirations within our water business includes:

- Upgrading water safety management practices in tandem with the implementation of ISO 22000 – Food Safety Management System.
- Reducing water consumption in Johor state via collaboration with local authorities on water conservation initiatives.
- Integration of water and wastewater management and water reclamation projects for long term sustainability of water resources in Johor.
- Increase the use of information technology ("IT") and automation in water and wastewater management systems.

Beyond strengthening the Group, the aforementioned strategies will contribute to the development of a robust and sustainable water industry in Malaysia while helping to increase social consciousness and awareness of the importance of water as a vital and finite resource.

Climate change may affect the availability of water to be consumed. It may exacerbate the water scarcity situation in all countries. Therefore, water conservation is of the utmost importance. One of the key aspirations for Ranhill is to achieve long-term water consumption reduction in Johor to 180 litres per capita per day from the present 200 litres per capita per day. The present consumption is still far beyond the water

MANAGEMENT DISCUSSION & ANALYSIS

usage recommended by the World Health Organisation ("WHO") which is 165 litres per day.

Ranhill as a leading water operator believes it is in a strategic position to play a role in driving water conservation and to ensure that Malaysia has sustainable water supply for generations to come.

POWER SECTOR

In FY2018, Ranhill power businesses via its Ranhill Powertron ("RanhillPower I") and Ranhill Powertron II ("RanhillPower II") continues to achieve commendable technical and financial performance. It successfully negotiated the revision of its Gas Supply Agreement to mitigate potential penalty on Take-or-Pay of gas supply and its Long Term Service Agreement on gas turbine maintenance to achieve significant cost reduction. Going forward, various cost optimization initiative are continuously pursued to ensure the good performance is maintained.

As the need for clean energy grows, Ranhill, through its niche capabilities and expertise is well positioned to meet such demand. Ranhill is embarking on steps towards achieving growth in its power business. Ranhill is pursuing the development of new gas power plants in the ASEAN region, as well as diversifying into the renewable energy business such as geothermal and large scale solar in tandem with the aspirations of the Malaysian government to increase its generation capacity from renewable energy sources.

FINANCIAL PERFORMANCE

Group Revenue

Despite a challenging financial year ended 31 December 2018 ("FY2018"), Ranhill achieved continuous revenue growth on the back of a steady customer base, notably from our environment business.

	FY2018 RM'million	FY2017 RM'million
Revenue	1,559.9	1,478.7
Profit Before Tax	152.1	198.1
Profit Net of Tax	85.5	120.6
Profit Net of Tax Attributable to Owners of The Parent	42.3	72.4

	FY2018	FY2017
Net Dividend Pay-out / Proposed In Financial Year 2018	6.0 sen	5.0 Sen
Earnings Per Share Attributable to Owners of The Parent	5 Sen	8 Sen

In FY2018, Group's revenue increased by 5.5% to RM1.560 billion (FY2017: RM1.479 billion). On the back of stronger contribution from RanhillSaj, revenue from the environment sector has increased by 6.9% to RM1.250 billion (FY2017: RM1.169 billion). As at 31 December 2018, treated water revenue from RanhillSaj accounted for RM1.192 billion (FY2017: 1.132 billion) with a net profit after tax of RM116.65 million.

Furthermore in FY2018, RWT recorded as successful turnaround with total revenue of RM37 million for FY2018 (FY2017 : RM 16million).

The Power Division's financial performance was in line with internal targets as both plants achieved the required performance parameters of the Power Purchase Agreement ("PPA") for FY2018. Revenue from the power division was unchanged at RM309 million (FY2017:RM309 million), breakdown as follows :-

	FY2018 RM'million	FY2017 RM'million
RanhillPower I	203.0	210.1
RanhillPower II	106.4	99.2

GROUP EARNINGS

In FY2018, Group profit before tax ("PBT") decreased by 23.2% to RM152.1 million (FY2017: RM198.1 million), while profit after tax ("PAT") was at RM85.5 million, a 29.1% reduction against previous year's RM120.6 million. The environment sector accounted for 69% and 69% of Group PBT and PAT respectively. The Group's profit after tax attributable to owners of the parent has reduced 41.5% to RM42.3 million (FY2017: RM72.4 million) for FY2018.

The decrease in earnings was mainly due to the impairment of approximately RM19 million from the aborted 37 MW Tawau Green Energy Sdn Bhd ("TGE") geothermal project.

MANAGEMENT DISCUSSION & ANALYSIS

The Feed-In Approval to TGE in Tawau, Sabah in which Ranhill held 26.7% equity stake was revoked by the federal government due to lack of progress sighted and the passive approach by TGE's major shareholders. The RM19 million was invested into the project mainly for exploratory drilling, geological and geophysical studies.

However, we are confident that there is the possibility of recovering the sunken costs as the Government has expressed the possibility of reviving the project. The exploratory drilling has proven a geothermal resource with a temperature of 197 degree Celsius, suitable for a binary geothermal power plant to be developed at the site. Ranhill has applied for a fresh Feed-In Approval from the Sustainable Energy Development Authority ("SEDA") and a new land lease of the project site from the State of Sabah. Hence with the deep knowledge and experience of the geothermal resource in Tawau, Ranhill is in a prime position to continue the development of the geothermal power plant project when it is revived in the near future.

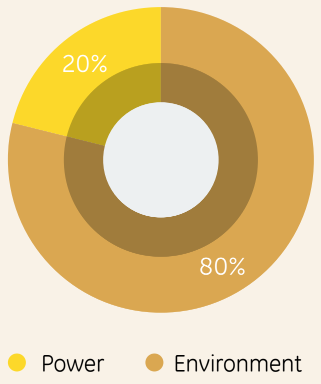
Another project which has been cancelled in quarter 4 FY2018 by the federal government is the proposed 300 MW CCGT power plant in Sandakan of which RM7 million was paid, (based on milestone) as partial consideration to the RM21 million consideration for 100% equity in SM Hydro Sdn Bhd. The Group has issued a notice of demand to recover the RM7 million from the seller.

Excluding impairment, Ranhill's PBT, PAT & PATMI for FY2018 stood at RM171.1 million, RM104.5 million and RM61.3 million respectively.

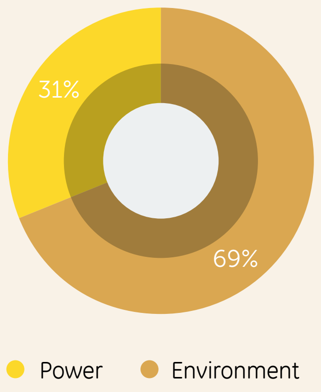
On a separate note, Group profitability was impacted by higher finance cost in relation to unwinding interest in FY2018 under the First Year of Operational Period 4 ("OP4").

The gazetted law, subsequent to the tabling of Budget 2019 on capping of the Investment Allowance for Service Sector (IASS) to 7 years may result in a potential reversal of deferred tax asset relating to investment allowance amounting to RM 57.8 million for RanhillPower II. The Group had submitted an appeal to Ministry of Finance for imposing the capping to contracts retrospectively, as the Investment Tax incentive granted during the award of the PPA was taken into consideration in arriving at the agreed tariff. Taking into consideration and with the support of a legal opinion that the Company has legitimate expectation for the continuance utilisation of the Investment Allowance beyond 7 years limitation as approved by MOF's letter on 4 November 2010.

SEGMENT REVENUE FY2018



SEGMENT PROFIT/ (LOSS) FY2018



DIVIDEND

In continuing to reward shareholders, Ranhill will declare a total dividend payout of 6.0 sen per share, which translates to a dividend payout ratio of 126% (excluding impairment @ 86.9%). This exceeds Ranhill's dividend policy to distribute 50% – 70% of earnings to shareholders. Over the past three years, the Group has delivered consistent dividend returns to shareholders.

CAPITAL EXPENDITURES & CAPITAL REQUIREMENTS

Significant capital expenditure ("CAPEX") is required to fund equity investments as well as to ensure our infrastructure assets continue operating at optimal performance levels.

MANAGEMENT DISCUSSION & ANALYSIS

ASSETS & LIABILITIES

ASSETS (RM'000)	FY2018 (RM'000)	FY2017 (RM'000)	FY2016 (RM'000)
Non-current	2,439,743	1,866,651	2,227,434
Current	895,830	865,999	961,458
Total Assets	3,335,573	2,732,650	3,188,892

Ranhill's asset position remained on the uptrend with total assets increased by 22.1% during the year to RM3.3 billion. The Group liabilities increased by 31.9% to RM2.58 billion. The Group assets exceeded The Group liabilities by RM756.75 million.

Equity & Liabilities Capital and Reserves Attributable to Owners of the Company	FY2018 (RM'000)	FY2017 (RM'000)	FY2016 (RM'000)
Share Capital	888,316	888,316	888,316
Total Equity Attributable to Owners of the Company	549,369	582,165	561,098
Non-Current Liabilities	1,869,357	1,451,148	1,576,123
Current Liabilities	709,465	503,359	868,425
Total Liabilities	2,578,822	1,954,507	2,444,548
Total Equity and Liabilities	3,335,573	2,732,650	3,188,892

CASH, BANK BALANCES & BORROWINGS

	FY2018 (RM'000)	FY2017 (RM'000)	FY2016 (RM'000)
Net cash from operating activities	153,961	294,653	150,195
Net cash (outflow)/ inflow for investing activities	(86,635)	(69,708)	22,739
Net cash outflow for financing activities	(10,986)	(368,218)	(192,177)
Net increase/ (decrease) in cash balance	56,340	(143,273)	(19,243)
Effect of Exchange Rate Changes on Cash and Cash Equivalent	3,135	(471)	(1,216)
Cash and cash equivalents at the beginning of the year	141,342	285,086	305,545
Cash and cash equivalents at the end of the year	200,817	141,342	285,086

The Group's unrestricted cash position has increased by 42.1% to RM200.8 million. Overall debt and bank borrowings have increased slightly to RM664.4 million due to refinancing of the existing Sukuk with the drawdown of RM650 million Sukuk. The Group's recourse debt to equity ratio increased to 1.14 times as at 31 December 2018, compared to 0.93 times in the preceding financial year.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years. Management is comfortable with the present gearing ratio going into FY2019. Our target remains to pare down our gearing ratio to 1.0 time moving forward.

KNOWN TRENDS & EVENTS – ENVIRONMENT SECTOR

Ranhill SAJ Sdn Bhd (RanhillSaj)

RanhillSaj is an integrated water supplier and is principally involved in the abstraction of raw water, treatment of water, distribution and sale of treated water to consumers in the State of Johor. In FY2018, RanhillSaj successfully met all of SPAN's Key Performance Indicators ("KPIs") for water quality compliance in FY2018 as given below:

Water Quality Parameter	SPAN KPI Target	Achievement (Jan-Dec 2018)
Res chlorine	99.00%	99.97%
Turbidity	99.70%	99.99%
Aluminium	95.00%	98.03%
E.coli	99.85%	100%
E.coli with Res. chlorine	99.95%	100%

MANAGEMENT DISCUSSION & ANALYSIS

RanhillSaj also achieved 100% compliance to SPAN's KPIs as per the following:

- NRW Percentage
- Physical Losses: Liter / connection / day
- Commercial Losses (Meter Faulty & Malfunction Meter)

However, the achievement for Infrastructure Leakage Index ("ILI") was at 96% - slightly lower than the targeted 100% caused by a slowdown in the pipe replacement programme under PAAB due to delays of approvals from the relevant authorities especially for excavation permits from the Works Ministry and local councils. This was due to some policy changes which require further negotiations and they have been resolved as of now. Following is a summary of the progress achieved thus far in FY2018:

	Mini CAPEX			Minor CAPEX		
Rehab Year	No. of Project	Actual (%)	Sch. %	No. of Project	Actual (%)	Sch. %
2014	10	100%	-	9	100%	100%
2015	17 (RWS)	100%	-	13	87%	100%
	21	100%	-			
2016	7	100%	-	7	37%	56%
2017	5 (RanhillSaj)	100%	-	7*	-	-
	25	78%	87%			
2018	1**	-	-	13	-	-

Note: (*) Tender evaluation stage
(**) Tendering Process

Together with PAAB, we are committed to completing these projects to achieve the NRW targets. Pipe replacement is a long-term project where the upfront cost and effort is substantial with the payoff for the investment becoming more evident in the medium and long-term horizons. However, the cost of not undertaking or delaying such works ultimately leads to negative impacts on all stakeholders across the water supply chain.

Hence, the decision to reduce NRW to 5% by 2025 is both cost-effective and strategic in ensuring a more robust and sustainable water supply system. The ongoing pipe replacement projects are expected to be completed by the end of FY2019.

In line with the Federal Government's aspiration to integrate Sewerage Services with Water Supply Services and to improve the chronic state of river pollution in southern Johor, RanhillSaj has proposed to the Government for integration of sewerage and water services which will naturally combine all elements to provide efficient and holistic water services (including joint billing) which has received positive support from the Ministry of Water, Land and Natural Resources ("KATS"). This initiative will also free up potable water for non-industrial uses.

Given our track record in China and Thailand in managing industrial wastewater treatment plants, we are confident of our capabilities to increase efficiency via integration of services and with that, deliver cost savings and bolster revenue streams going forward. This will be a significant milestone for all stakeholders.

Ranhill Water Services Sdn Bhd (RWS)

Ranhill Water Services Sdn Bhd ("RWS") is focussed primarily in the management of NRW. Its operations span both Malaysia and abroad and have thus far established a commendable track record of more than 500 MLD saved from effective NRW management.

The delay in implementing the National NRW program and pipe rehabilitation works by the Federal Government has impacted RWS' business and operational performance. Despite this, RWS secured two NRW contracts in FY2018. The first, valued at RM2.4 million is for NRW consultancy in the state Kelantan. The second is for the supply of meters to RanhillSaj at RM5 million.

In FY2018, RWS has assisted RanhillSaj in reducing their NRW level in Johor from 24.5% to 24.19%, saving 35 MLD which equates to RM5.8 million per annum. More focus was directed to the upgrading of the Geographical Information System ("GIS") and Hydraulics Modelling to prepare for the accelerated NRW reduction program. Our ultimate goal is to reduce NRW levels in Johor state to 5% by the year 2025. In doing so, a master plan has been developed which involves several key activities to accelerate the reduction of NRW. The main activities include pipe replacement, meter replacement, advanced leak detection technique, GIS and hydraulics modelling. The implementation of this holistic program will also see numerous improvements to the water supply operations, covering the treated water production, customer billing and everything in between. By achieving 5% NRW level in the state of Johor, 350 MLD of treated water will be saved, deferring the need for new treatment facilities to satisfy new demand, hence reducing stress on our water resources.

The use of semi-permanent noise loggers and correlators called 'SMART DMAs' has greatly contributed to leak detection activities. In FY2018, about 62,000 hidden leaks were found and repaired by RWS in the state of Johor, excluding customer reported leaks. In addition, 27 additional DMAs were established to maintain a minimum 95% of coverage. The leak management system (AquaSMART) has also been upgraded to include 'Job Management System' and 'Commercial Loss' monitoring. With 400 people allocated for Johor, the whole state is always under constant NRW monitoring. RWS works' value is about RM60 million per year.

In its pursuit of commercial loss reduction, RWS has acquired a meter supply contract with RanhillSaj for the supply of electromagnetic meters and R800 metrology mechanical customer meters. These meters shall be installed in stages to enable more accurate water consumption.

In Kelantan, RWS' involvement as a NRW consultant has brought consumption improvements in the district of Tanah Merah through meter refurbishment and meter reading services. Affected areas have seen an average increment of 50% of the consumption pattern. In February 2019, RWS has been awarded a pipe replacement contract in Kelantan by PAAB valued at RM23 million. Having worked in Kelantan for the last 6 years, this new contract will further strengthen our presence in the state.

Ranhill Water Technologies Sdn Bhd (RWT)

In FY2018, our continued business transformation efforts have culminated in a turnaround for Ranhill Water Technologies Sdn Bhd ("RWT") reflected in stronger revenues and the company's return to profitability on the back of contracts secured. We are pleased to report that RWT recorded a revenue of RM56.350 million (FY2017: RM37.997 million) and a PAT of RM3.934 million (FY2017: -RM2.619 million) for the financial year.

On the back of the optimised productivity achieved, RWT has shored up its order book to the tune of RM70.447 million with nine projects secured in Malaysia and Thailand. The largest of these is the contract to design and build a 50,000 PE new Sequence Batch Reactor ("SBR") type sewage treatment plant ("STP") with inlet works for 150,000 PE for Forest City at Country Garden Forest City, Johor. The contract value is RM42.4 million. Beyond bolstering revenue and earnings, the contract solidifies RWT's credibility and paves the way for Ranhill's penetration into the STP business in Malaysia.

In Thailand, where we have an established business presence in Amata Bangkok and Amata Industrial Park, RWT secured two projects during the financial year. The first is for a Build-Operate-Transfer ("BOT") of a 7 MLD Reclamation Water Treatment Plant in Amata City Rayong; and the latter is for upgrading works of the existing Amata City Plant No.4 from 10 MLD to 15 MLD in Amata City Rayong. The total implementation value of these projects is RM27.5 million.

The new projects have increased Ranhill's total treatment capacity in Thailand to 114 MLD (FY2017:102 MLD). The completed Amata Reclamation Water Treatment plant was launched and commissioned on 25 January 2019 by the Deputy Prime Minister of Malaysia, YAB Dato' Seri Dr Wan Azizah binti Wan Ismail. This brings our total investment in Thailand (for water treatment, wastewater treatment and water reclamation plants) to approximately RM129.59 million and is capable of generating water sales of over RM535.62 million over the concession period. With the completion of this project, Ranhill has two water reclamation projects in Thailand with a total capacity of 17 MLD.

MANAGEMENT DISCUSSION & ANALYSIS

Launching of the 7MLD Reclamation Water Treatment Plant (RWTP), which was officiated by YAB Dato' Seri Wan Azizah Wan Ismail, Deputy Prime Minister of Malaysia at Bangkok, Thailand

All plants (for water treatment, wastewater treatment and water reclamation plants) meet the required operational key performance indicators ("KPIs") set by the Industrial Estate Authority of Thailand.

RWT continues to make progress in other facets of its business operations. In improving our corporate governance through implementation of best practices, RWT has received the ISO 9001:2015 certification, which was obtained in early 2018. This highlights the commitment to ensuring proper business governance, quality assurance and readiness in supporting bids across the region.

In China, our notable highlight is the secured concession of a 34 MLD Transfer-Operate-Transfer ("TOT") and BOT project for Fengxin Wastewater Treatment Plant, in Fengxin, Jiangxi Province, China. Works remain on schedule. With this, in FY2018, we have increased the aggregate capacity of our China operations by 18.4% to 222 MLD (FY2017 187.5 MLD). The growth is below the targeted plan envisaged. The difficulties through existing BOT which yields low returns, difficulty in securing projects with IRR over 10% and financing restrictions has limit our ability to expand our footprint in China.

KNOWN TRENDS & EVENTS – POWER SECTOR

Our presence in the power sector is via Ranhill Powertron ("RanhillPower I") and Ranhill Powertron II ("RanhillPower II") who operate the 190 MW Teluk Salut Power Station and the 190 MW Rugading Power Station respectively. 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 60 MW steam turbines.

In FY2018, the Teluk Salut Power Station and the Rugading Power Station delivered a total 1,175 GWh and 1,077 GWh of electricity respectively to the Sabah grid. In terms of operational performance, Teluk Salut and Rugading both outperformed the PPA limit of 87% for RanhillPower I and 94% for RanhillPower II -registering equivalent availability factors of 91.97% and availability target of 97.06% respectively.

TOTAL GWh OF ELECTRICITY DELIVERED TO THE GRID IN FY2018

	FY2017 (GWh)	FY2018 (GWh)
RanhillPower I	1,148	1,175
RanhillPower II	945	1,077
TOTAL	2,093	2,252

EQUIVALENT AVAILABILITY FACTOR/AVAILABILITY TARGET

	FY2017 (%)	FY2018 (%)
RanhillPower I	92.57	91.97
RanhillPower II	91.74	97.06

Across both RanhillPower I and RanhillPower II, various cost optimisation activities have been undertaken to reduce our operational and maintenance outlay. In addition, we have successfully renegotiated the terms of the plant maintenance Long Term Service Agreement with the contracting party which will enable significant cost savings throughout the remaining concession period.

ISSUES & CHALLENGES AFFECTING GROUP OPERATIONS – ENVIRONMENT SECTOR

While the Group has achieved many positives during the year under review, we have continued to face various issues and challenges that have impacted operations across our environment and power divisions.

COMPANY	CLIMATE CHANGE & OTHER CHALLENGES	MITIGATION STRATEGIES & MEASURES
RanhillSaj	**Reduced water quantity** Diminishing raw water quantity in rivers and reservoirs will lead to insufficient water supply for production. RanhillSaj may lose its treatment efficiency and capacity. The lack of sufficient available water resources due to rapid industrial and urban development, climate change and weakness in managing water in catchment areas continues to increase. Growing water demand in tandem with increased economic activity and population growth compounds the issue.	Reserve margin for Johor is at 9.9% as of December 2018 which is well below the normal reserve margin of 15%. Mitigation measures are to explore alternative water sources including an accelerated NRW program which will save 350 MLD of treated water, exploration of up to 600 MLD of potential underground water sources and recycling of wastewater to produce 30 MLD of treated water for industrial use. Specifically related to groundwater, RanhillSaj has initiated a groundwater study with the first phase completed in November 2017 Phase Two is scheduled to be completed by early 2019. Based on our preliminary survey, there are potential sources of groundwater in the southeast and southern areas of Johor. The report detailing the availability of raw water in Johor will be completed by April 2019. The measures above are aimed at safeguarding water sources at least until 2061. Post 2061, with the expiration of the Malaysia-Singapore Water Agreement, another 1,136 MLD will be available which can meet the requirements of a 6 million population located in southern Johor. We continue to initiate various stakeholder engagement and educational efforts on water conservation and reducing water consumption.
	Adversely affected water quality Water contamination and pollution at the source level remains a serious issue, which impacts the availability of water to RanhillSaj's plants. The high level of contamination at the water source has led to plants being shutdown occasionally.	We continue to work closely with relevant authorities to ensure stringent enforcement and protection of water sources. Beyond this, we continue to actively engage stakeholders via various education and outreach programmes and efforts on the importance of preserving the quality of water sources.

MANAGEMENT DISCUSSION & ANALYSIS

COMPANY	CLIMATE CHANGE & OTHER CHALLENGES	MITIGATION STRATEGIES & MEASURES
RanhillSaj	**Water theft** In FY2018, we estimate over 12 MLD of treated water has been siphoned by illegal consumers. On average, 300-400 cases are reported monthly.	RanhillSaj has established a special enforcement unit under the Customer Service Department since 2012 to monitor and take action against the occurrence of water thefts in the water supply system in Johor. The Enforcement Unit carries out regular inspections to highly suspected premises such as construction sites, chicken farms, concrete batching plants, car wash, ice making industry and industrial areas. The roles of the Enforcement Unit is also to gather and relay information and evidence to SPAN for prosecutions. Currently, the Enforcement Unit is in the midst of an expansion in term of the number of staff and enforcement teams. The Enforcement teams will be stationed in the various districts for further close monitoring.
	Fixed Water Tariff RanhillSaj operates to a fixed tariff rate that has been predetermined by the government. The rate remains constant for a stipulated period and thereafter is up for review. Therefore, the price of water is not subject to market forces of demand and supply. Maintenance of water treatment plants and other infrastructure is part of our operating cost and this increases over time. In heightening our state of readiness and operational efficiency to meet increased water demand, RanhillSaj needs to continuously allocate a large portion of its operational budget annually to develop and rehabilitate water supply facilities. Other costs also continue to increase over time such as electricity rates, chemical costs, maintenance and equipment costs, equipment and others. A revision in tariffs will support optimal operational capabilities with no compromise on service levels.	RanhillSaj continues to actively engage the regulators and key stakeholders on the importance of revising water tariffs towards ensuring a more sustainable water industry. Tariff adjustment has been delayed for more than one year and we expect new tariffs to be implemented by mid-2019. RanhillSaj has been maintaining optimal operations and maintenance of its assets in the interim without compromising on service levels while achieving regulatory compliance as per set KPIs. An upward revision will increase the public's consciousness on the value of water and its importance, perhaps even leading to a more conservative consumption profile. At present, Johoreans use on average, 200 litres per capita per day compared to Singaporeans who consumed just 150 litres per capita per day. We opine that the significantly higher water prices charged to consumers is one of the main reasons for a reduced water consumption profile in Singapore.

With the review of plans by the government in FY2018, most of RWT's earmarked pursuits for FY2018 were either cancelled or postponed, namely the targeted 40 MLD Timah Tasoh WTP in Perlis and the 120 MLD Kerpan Water Supply Scheme to supply water to the mainland of Kedah state and Langkawi island.

On a separate note, we are pleased to announce that the claims made against our subsidiary, Ranhill Water Technologies (Cayman) Ltd ("RWTC") has been dropped in full by Wahtoting Holding Limited ("Claimant"). Management has always held the view that the said summons was without merit and frivolous and the unconditional dropping of the suit attests to this fact. We are undeterred by this experience and will continue to seek strategic partners to help us grow our business operations in China. We will continue to undertake the necessary due diligence while adopting additional safeguards to protect the interests of the Group and its shareholders going forward.

ISSUES & CHALLENGES AFFECTING GROUP OPERATIONS – POWER SECTOR

The cancellation of plans for the 300 MW Sandakan power plant on the east coast of Sabah was one challenge faced, given that Ranhill was a party to the consortium to undertake the design and build of the project. As Ranhill was a party to the consortium to develop the project, the Group had already invested into the project prior to the cancellation by the State government.

On a more positive note, our existing power plants continued to demonstrate their proven reliability in despatching power as demanded. However, low generation despatch, which is beyond our control, affected operations of both RanhillPower I and RanhillPower II, especially our Rugading Power Station. This is evident in lower amount of electricity sold.

We believe that low generation despatch is due to the commencement of operations of neighbouring power plants in the past four years, which affected our plants' despatch. In FY2018, there were seven IPPs operating in Sabah alone, RanhillPower I and RanhillPower II included, with a total installed capacity of 380 MW.

Our Rugading Power Station load factor was more than 80% prior to the entry of the new power plants into the grid about four years ago. Its load factor for FY2018 is 69.64%.

Projections by the Energy Commission indicated that slow growth is forecasted for the next three years.

However, a planned upgrade to the West-East transmission line (to be completed in 2021) will increase the West-East power export to about 400 MW. With the upgrade, the generators in the West Coast can dispatch more power to the East. With the completion of the upgrade, Ranhill's plants' load the dispatch situation is estimated to improve by about 10% as the demand for electricity grows for export to the East Coast, and as the load generally grows in tandem with the development of Sabah state.

Nevertheless, we have taken necessary measures which included successfully renegotiating the terms of the Gas Supply Agreement to take into account the lower electricity despatch that is not within our control.

Another development worth highlighting is the announcement by the federal government who in principle has agreed to hand over the ownership of Sabah Electricity Sdn Bhd ("SESB") to the Sabah State Government. The state government will form a special committee to work out the details on the takeover of SESB from Tenaga Nasional Berhad ("TNB"). It remains to be seen what impact this will have on the electricity supply industry in Sabah.

HEALTH, SAFETY, THE ENVIRONMENT & SUSTAINABILITY

As in previous years, Ranhill continues to make progress in its sustainability journey, as reflected by its efforts in mitigating the footprint of our social and environmental impact on stakeholders. In particular, the Group has continued to register an improved health and safety performance.

We achieved a notable 66.7% reduction in a number of lost time injuries ("LTI") cases in FY2018. We also recorded over 6.17 million man-hours without a LTI. Beyond our own operations, we continue to play our role in safeguarding public health and safety.

MANAGEMENT DISCUSSION & ANALYSIS

We are happy to report that beyond our boundaries, there were no reports of incidences of spillage or other incidences in the transportation of waste products or hazardous materials such as liquefied gas and more.

As a responsible corporate citizen, we are mindful of our overall presence as a business entity and are serious in ensuring that our business operations and activities maintain a HSE first approach. We are committed to playing our role in ensuring the health and safety of our staff as well as of the publics.

Further information on our HSE and sustainability performance is given in our separate Sustainability Report FY2018.

In ensuring that the HSE practices continue to be at the forefront in our operations, Ranhill has introduced Ranhill Rules of Life, a mandatory safety rules that are transcending beyond the ordinary HSE practices. With the goal "No Harm to People", the 11 elements of Ranhill Rules of Life will stand as the landmark of Ranhill's commitment towards safety. The elements of Ranhill's Rules of Life are:

a. Apply To Stop Work Order to prevent an accident.
b. Work with a valid work permit (PTW) required.
c. Protect yourself against a fall when working at height.
d. Use the correct Personal Protective Equipment (PPE).
e. Establish Soil Protection System if working in an excavation more than 1.5 meter depth.
f. Do not walk under a suspended load.
g. Smoking / Vaping only in designated areas.
h. Comply with Safe Work Method Statement (SWMS) Guideline before starting work.
i. Comply with Road Transport Act 1987 including storing, managing and transporting dangerous or hazardous items.
j. Comply with legal requirements on competency.
k. Do not override or disable critical safety equipment.

BUSINESS RISKS

Management is cognisant of its various financial, operational and business risks. In response, the Group has implemented various mitigation measures in line with its risk management framework and internal controls. Given below are Ranhill's most material risk factors and the Group's strategic response to addressing these risk factors:

Risks	Disclosures
Industry Risks Relating to our Power Business	
Our ability to successfully generate power and deliver the required energy to Sabah Electricity is subject to, amongst others, the following risks:	
• Operator error or failure of equipment or processes, particularly with older generating plants; • Unexpected maintenance needs associated with operational issues;	In mitigating such risks, the Group conducts a regular inspection to detect operational irregularities through 24-hour online monitoring of operations via the plant Distribution Control System ("DCS"). Furthermore, sufficient spare parts are stored for any eventuality while our power operations can also leverage on the support services of OEM companies.

Risks	Disclosures
• Interruptions in the supply of natural gas, diesel fuel or other material supplies; • Operational limitations that may be imposed by environmental or other regulatory authorities.	Our Company also supports continuous training for maintenance staff in constantly improving troubleshooting skills and capabilities especially on addressing critical breakdown of power plant equipment.
Industry Risks relating to our Water Business	
Contamination of our raw water supply may disrupt our services.	Our raw water supply may be subject to contamination, including contamination as a result of naturally-occurring compounds; pollution resulting from man-made sources, i.e. man-made organic chemicals. Failure to source raw water from an uncontaminated water source or to adequately treat the contaminated water source in a cost-effective manner will result in a materially adverse effect on our business. In mitigating such risks, we maintain security measures at our facilities and have heightened employee awareness of potential threats to our water systems. We also continue to work closely with local enforcement authorities in curbing discharge of waste / pollutants into the Southern state rivers.

OUTLOOK AND PROSPECTS AND IMPACT ON BUSINESS GOING FORWARD

Looking ahead, we foresee changes in economic & market conditions that will affect the Group operations and activities. These developments consist of both favourable factors as well as those that could potentially hinder Ranhill's operations in Malaysia and abroad.

The macro scenario though remains in our favour. Burgeoning population growth, urban migration, infrastructure development and other global trends invariably point to continued rising demand for clean water and clean power generation. The heightened consciousness among key stakeholders on the impact of climate change and various social and environmental issues warrant that the world's present and future water and energy needs are met and delivered via sustainable alternatives.

Ranhill, given its business model is well positioned to respond to meet this scenario. The onus now is for the Group to maintain its growth trajectory towards realising our 2022 targets. This will be achieved via specific strategies catered to empower our growth in the areas where have proven our capabilities: water production and distribution, NRW, wastewater treatment and CCGT power generation.

Rather than adopt a piecemeal approach, we will look to further position Ranhill as a provider of total solutions, which can be customised to meet our clients' specific requirements. Our approach will entail developing masterplans for water and wastewater as well as power generation so as to offer the countries and communities we serve comprehensive, infrastructure solutions that support their nation-building aspirations and deliver socio-economic progress for their communities.

THE FUTURE OF RANHILL

Environment Sector

With our target of 3,000 MLD water and wastewater treatment capacity in the long run, we aim to achieve 400 MLD from international operations by the year 2022. Growth from our water supply operations in Johor alone will contribute close to 2,344 MLD, which comprised of our existing capacity of 1,986 MLD, 40 MLD from recent Layang WTP upgrading and 318 MLD from new proposed Layang 2 WTP . We are currently exploring the possible integration of sewerage services in the state of Johor and we are confident of our prospects. The Group can achieve immediately 600 MLD of wastewater treatment capacity by taking over the operations of sewerage services in the whole State of Johor.

The recent Budget 2019 announcement highlighted an impetus for more water industry related initiatives. The allocation of RM738 million to supply water to rural and remote regions augurs well for Ranhill. We foresee immediate opportunities and expect water projects in new water distribution systems for the rural population and capacity extension of current WTPs for growing industries, as well as for NRW level reduction.

Similarly, the government is expected to fast track the implementation of NRW programs towards meeting the National NRW target of 25% by 2020. Hence, there will be an acceleration of projects to ensure compliance within the next two years.

Water leakage is mainly due to aging distribution mains or pipes, which in turn puts a strain on WTPs which are already producing water at maximum capacities. This affects water supply to consumers. Hence, the optimum solution for a quick win is to replace pipes and related equipment such as valves and pressure regulating valves.

In both water supply and NRW, Ranhill, having proven its capabilities in Malaysia, is well positioned to secure contracts, be it under the national NRW plan or the Accelerated NRW plan in Johor. There are also ample emerging opportunities under the 11th Malaysia Plan ("11MP"), which we can participate in and we will be tendering for these accordingly.

With the securing of the Forest City STP project, Ranhill via RWT has gained a notable foothold in the local market for domestic wastewater treatment plants. Our focus now is to ensure timely completion of the Forest City STP. Together with our overseas wastewater track record, the project will enable us to pursue other domestic wastewater treatment contracts actively. Such opportunities will likely stem from the 11MP, where there is a plan to rationalise 3,000 small and inefficient STPs into larger, modern plants on a progressive basis.

Besides STP projects, Ranhill aims to replicate its Thailand water reclamation experience in Malaysia. Ranhill will continue to place emphasis on the quality of services and the use of dedicated technological solutions for water reclamation that we can offer to meet their environmental and industrial challenges. We are also pursuing projects that can create a new source of water by reclaiming treated sewage for non-potable water for particular industries.

Reclaimed or recycled water is a growing alternative water source that could efficiently meet increasing industrial demand as the volume of wastewater discharge expands. With climate change exacerbating pressures on existing water sources and supply, the interest in tapping reclaimed or recycled water for non-potable and even potable use is growing. This presents a future opportunity for the Group.

We are also in discussion with Private Development namely Forest City and R&F Princess Cove to take over all sewerage assets and to integrate these with RanhillSaj.

In Thailand, we will look to continue expanding our business presence, given our continued success in the country. We will leverage on our established footprint in Amata Bangkok and Regional Amata Industrial Park, while exploring possibilities to venture into new industrial parks. We will focus on site treatment facilities for new industries coming into Amata as well to grow our capacity to 174 MLD by 2022.

In China, the current trade war and economy slowdown coupled with the difficulty in securing projects with >10% IRR and obtain borrowings at a favorable rate dampens the Group's expansion program. However,we will continue to leverage on our strategic partnership with SIIC to manage and secure projects in the country.

RWT will draw upon its expertise in the investment and project management with prospective vendors and strategic partners, towards implementing and operating sewage treatment plants, water recycling / water reclamation plants in Malaysia and the region as a whole. We also continue with our effort in enhancing RWT's technology and capability base by seeking strategic partnerships with technology and solutions providers, both locally and abroad.

Power Sector

Given our inherent strengths as a CCGT power plant owner and operator, we will seek opportunities within this space, but will continue to explore renewable energy projects such as solar and geothermal. Demand for power in Sabah will increase in tandem with population growth.

Taking into account the end of concession for our 190 MW Teluk Salut power plant 10 years from now, ie in the year 2029, we are planning a repowering plan to enable it to operate with increased efficiency, fuel cost saving and extended concession duration.

Despite the termination of the Tawau geothermal plant project, we are of the view that the project is still very much viable. Our sentiments are echoed by the Federal Government, which has reiterated that the geothermal power plant project might be revived via an open tender.

Ranhill, having been initially involved via its equity stake in TGE Sdn Bhd, is well positioned to submit a competitive bid. Our belief stems from the fact that we have conducted the exploratory drilling and this provides us with a comprehensive understanding of the project, the various challenges and issues involved as well as the opportunities that the project offers.

As mentioned earlier, Ranhill has applied for a fresh Feed-In Approval from the Sustainable Energy Development Authority ("SEDA") and new land lease of the project site. Given our prior and inherent experience and knowledge of the geothermal resource in Tawau, we are best positioned to realise the project to its fruitful completion going forward.

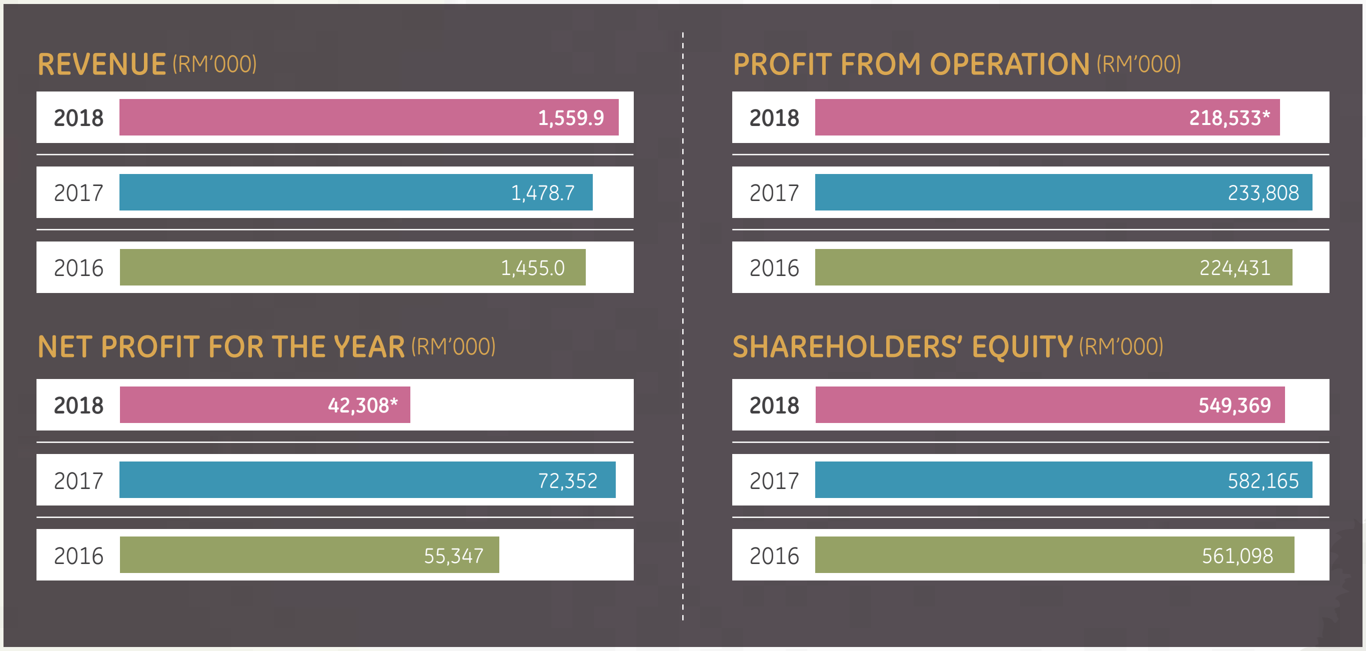
Beyond Malaysia, we will leverage our established presence in Thailand to seek opportunities in the country as well as across Indochina, notably Myanmar.

In Southern Thailand, we recognise the need for an efficient, reliable and resilient electricity infrastructure, supported by an adequate and reliable generation capacity, to stimulate regional economic growth and development. We are working with a Thai partner to heighten our chances of bidding competitively.

In this regard, Management is pleased to share that Ranhill Holdings has signed a collaborative agreement on 21 February 2019, with Thailand's Treasure Specialty Co. Ltd ("TS Co") for the setting up of a 1,150 MW CCGT power plant in Kedah with 100% of the power generated exported to southern Thailand. The signing ceremony was witnessed by the Prime Minister of Malaysia, Tun Dr. Mahathir bin Mohamad.

The project provides a cost competitive solution to the provision of clean electricity power to the provinces within the region. It will also spur economic development and job creation in both Northern Kedah and Southern Thailand while further diversifying our energy portfolio regionally. The project has been submitted to the relevant authorities in Malaysia and Thailand for approval.

GROUP FINANCIAL HIGHLIGHTS



	FY2016 restated RM'000	**FY2017 RM'000**	**FY2018 RM'000**
Revenue	1,455,054	1,478,719	1,559,856
Profit from operation	224,431	233,808	218,533*
Net Profit for the year	55,347	72,352	42,308*
Weighted average number of ordinary share ('000)	822,266	888,316	888,316
Basic earnings per ordinary share (sen)	6.73	8.14	4.76
Total Asset	3,188,892	2,732,650	3,335,573
Shareholders' Equity	561,098	582,165	549,369
Net Asset per share	0.68	0.66	0.62

Note:

* The decrease in profit from operation and net profit for the year were mainly due to the impairment of approximately RM19 million from aborted 37MW Tawau Green Energy Sdn Bhd ("TGE") geothermal project.

SUSTAINABILITY STATEMENT

THIS SUSTAINABILITY STATEMENT IS A CONCISE NARRATIVE OF THE RANHILL HOLDINGS BERHAD ("RANHILL" OR THE GROUP") SUSTAINABILITY REPORT 2018 ("SR2018").

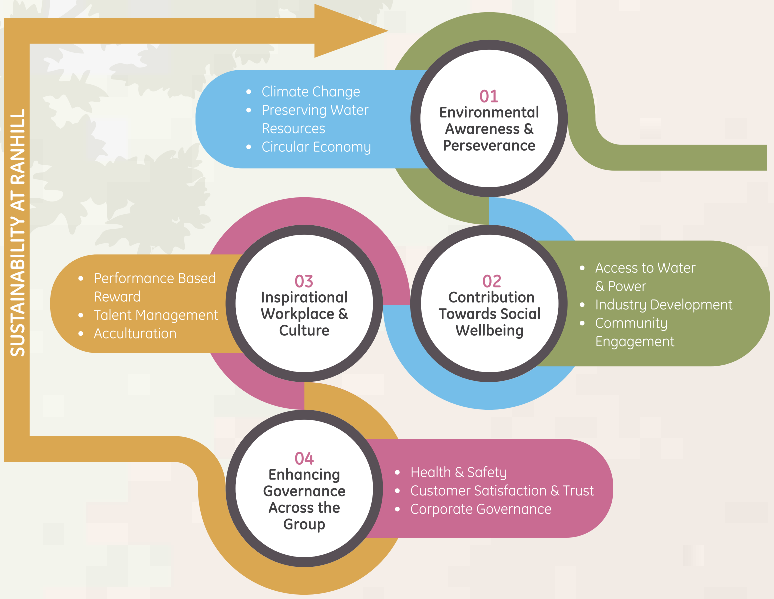
The full report is available for download via: https://www.ranhill.com.my/sustainability/sustainability-report/. The objective of this statement is to give readers an overview of the Group's sustainability related efforts across its economic, environmental and social ("EES") materiality topics and the overall progress and the challenges Ranhill faces across its sustainability journey.

The reporting scope and material boundary of this statement is consistent with the SR2018. The holding company and all major subsidiaries are included, limited to the most pertinent operations or aspects of operations. Excluded are outsourced activities, and operations of joint venture companies as well as the Group's value chain which consists of vendors, suppliers and business partners.

The report covers the financial year of 1st January 2018 to 31st December 2018 ("FY2018"). Where available, three years of statistical data has been provided. Where possible, internal data has been assured by Ranhill's Group Corporate Assurance Division ("GCAD").

RANHILL'S FOUR PILLARS OF SUSTAINABILITY

Ranhill's approach to sustainability is driven by its adoption of the circular economy model and is augmented by its four pillars of sustainability: Environmental Awareness and Perseverance, Contributions Towards Social Wellbeing, Inspirational Workplace and Culture and Enhancing Governance across the Group.



The pillars serve to:

- Provide an over-arching perspective of that which is material to Ranhill.
- Enable the Group to identify specific materiality aspects (within each pillar) across a broad spectrum of EES topics and aspects and equally important to manage and mitigate these based on a circular economy model.
- Guiding the Group's sustainability journey as proven in the various sustainability highlights achieved over the years.

The Group reflects its commitment to Environmental Awareness & Perseverance by committing to be a champion and industry leader for sustainable clean energy and clean water production. Ranhill continues to further minimise its impact on air, water, land other natural resources, while safeguarding upstream and downstream water resources and conserving, preserving and recycling resources as much as possible.

As Ranhill pursues its business objectives, it looks to also make a positive, meaningful and lasting Contribution Towards Social Wellbeing. The Group endeavours to integrate a social empowerment agenda to close the infrastructure gap between urban and rural communities. As an industry leader, the Group continues to actively share its knowledge to enhance overall industry standards towards developing a more competitive and sustainable value chain in the businesses it operates in, especially in NRW management.

Looking internally to its people, the Group has adopted the mantra of Inspirational Workplace & Culture towards embedding a sustainability mindset and organisational groupthink across its operations. The Board and the Management remain committed that sustainability needs to be ingrained into the DNA of Ranhill and to become a natural, inherent way of working for all within the organisation.

In addition, the Group looks to deliver Inspirational Workplace & Culture by embracing plurality and diversity, providing an environment of equal opportunity that taps on and develops the fullest potential of its human capital. Ranhill espouses to harness the rich and diverse aggregate talent pool of the Group, across all geographic sectors to create cross-sharing of knowledge, synergy and more to empower greater productivity and competitive advantage. Crucial to this is the retention of talent, the recognition and rewarding of excellent performance and the injection of fresh, high calibre professionals to infuse vibrance and new ideas that will propel Ranhill towards the continuous realisation of its business goals.

Ranhill believes that by Enhancing Governance Across the Group, we are directly also contributing to the sustainability of the organisation and providing the necessary foundations to manage our EES materiality matters in a more effective manner. The Group is of the view that sustainability and corporate governance is intrinsically linked and that accountability, business ethics, transparency and integrity are essential to the sustainability journey. Strong business values are vital to mould a growing consciousness on sustainability.

The approach to sustainability is supported by Ranhill's unequivocal commitment to operate within the precepts of a circular economy. The Circular economy concept espouses 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. Hence, it is in line with Ranhill's own aspirations to address key issues such as climate change, contamination of water sources, resource depletion and so on.

Guided by the circular economy model and our four pillars, the Group has charted an empowered sustainability journey that beyond safeguarding resources and responding proactively to climate change, has enabled the creation of more promising outcomes and game-changing value for stakeholders.

CIRCULAR ECONOMY MODEL

The circular economy model is premised on a triple-bottom-line; that is people, planet and profit and goes beyond the traditional profit oriented approach, where financial gains are prioritised above other elements.

The circular economy model is clearly practiced within our water and power business divisions. 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.

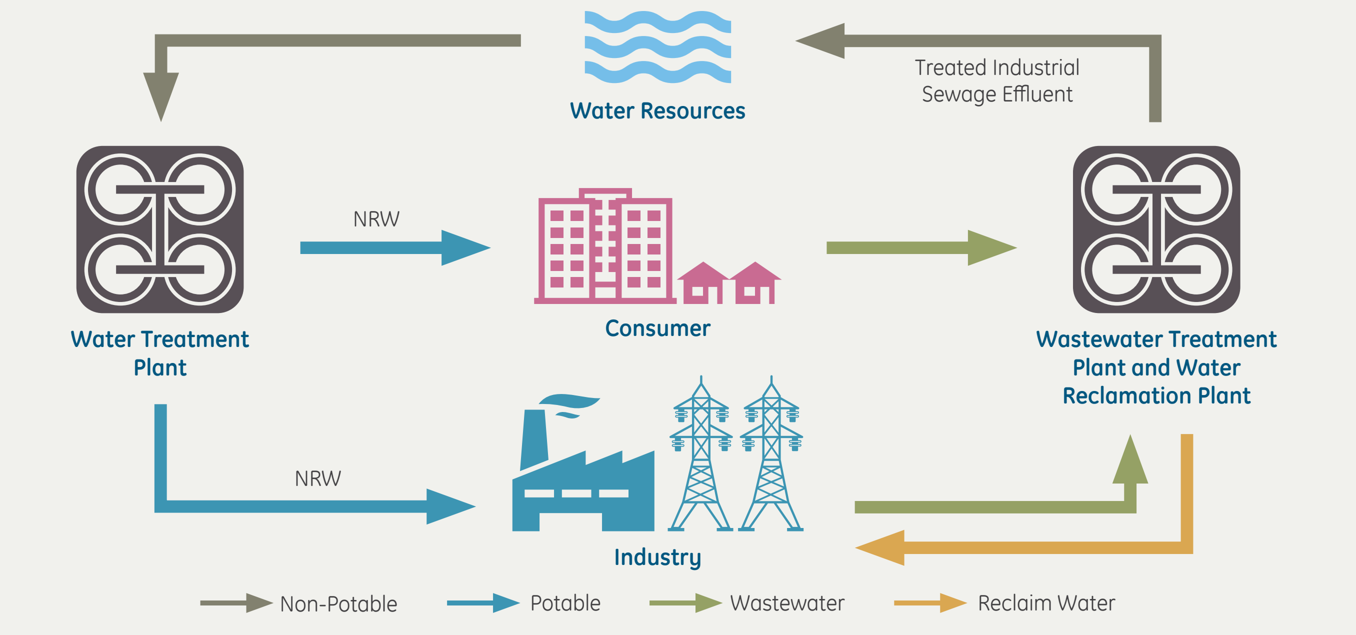
ENVIRONMENTAL OPERATIONS

- Driving Zero discharge policy at Amata City Chonburi, Thailand
- Effluent from the existing wastewater treatment plant is treated at Ranhill's reclamation plants to a required standard ensuring safer and cleaner waterways
- For FY2018, total volume was 3,060,386.00m^3

POWER OPERATIONS

- Combined Cycle Gas Turbines ("CCGT") use both gas and steam to produce up to 50% more electricity from the same fuel than a traditional simple-cycle plant
- This result in lower fossil fuel consumption, reduced carbon footprint and cleaner energy - meeting 37% power requirements for Sabah state

SUSTAINABILITY STATEMENT



Circular Economy Model

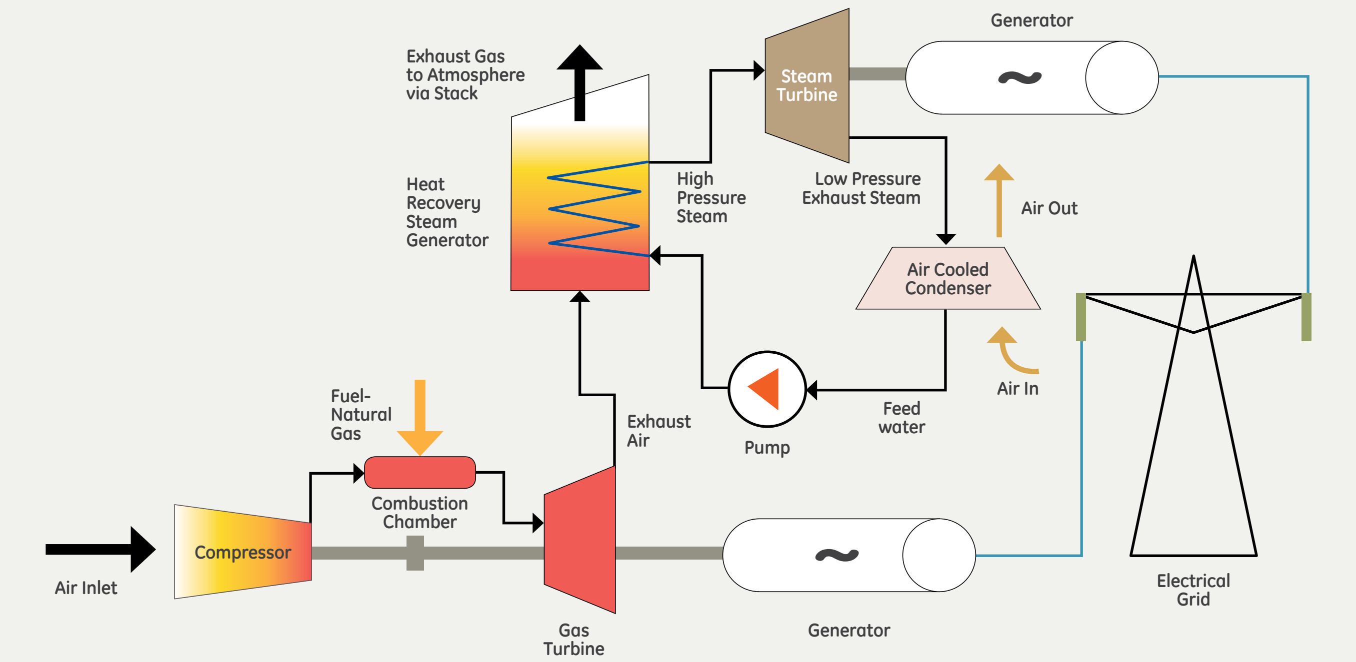
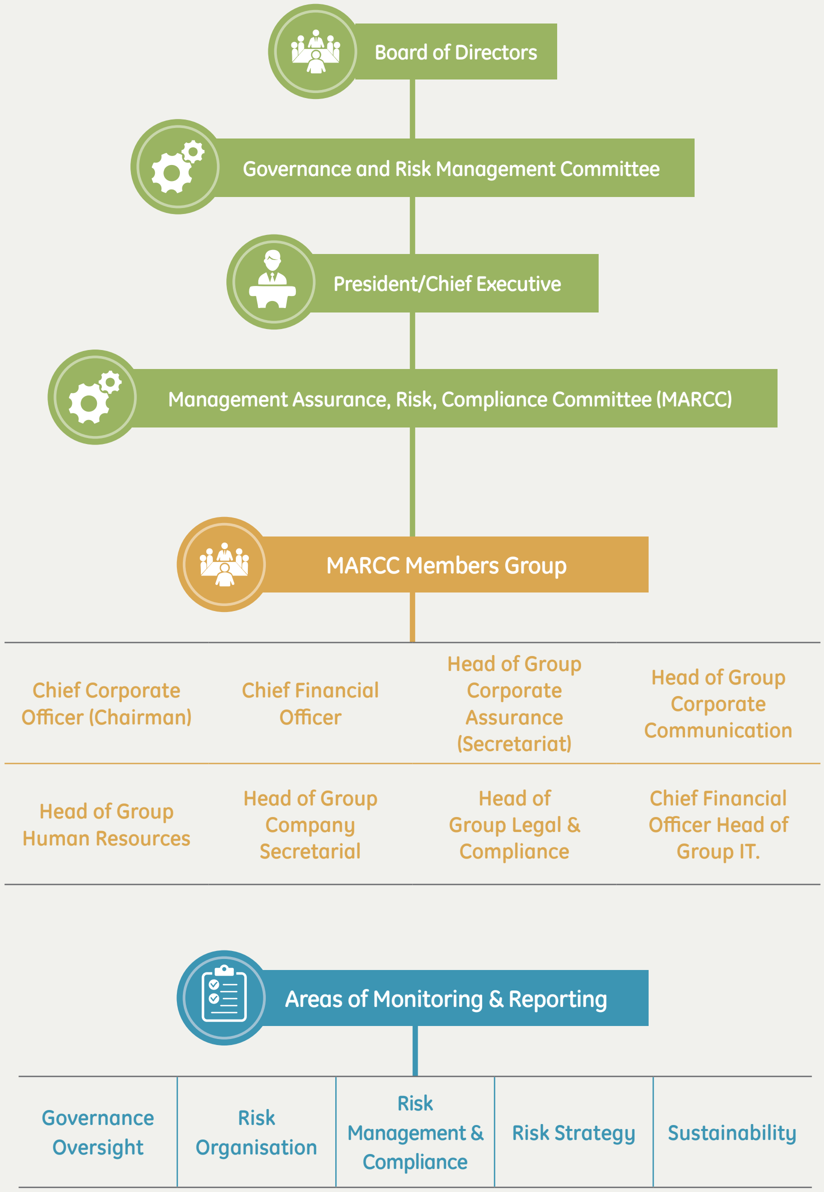


Diagramme of a CCGT system

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE STRUCTURE



GOVERNANCE & LEADERSHIP

While both the Board and the Executive Leadership Team have oversight on sustainability, specifically, the sustainability agenda is driven by the Board's Governance Risk Management Committee ("GRMC").

The GRMC is closely supported by the Management Assurance Risk & Compliance Committee ("MARCC"). The MARCC is in turn, supported by Senior Management and Department Heads across the Group's organisational structure. More details of the GRMC are given in the Corporate Governance Overview Statement ("CG Overview") of the FY2018 Annual Report as well as in the SR2018.

By adopting this governance structure, the Group is able to achieve a robust framework that supports the achievement of accountability, internal controls, risk migration as well as oversight and management of EES related matters.

The said framework establishes a common approach to how we operate, regardless of location. In addition, it 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

SUSTAINABILITY STATEMENT

Following are the GRMC's roles and responsibilities:

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;

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.

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 actively engage stakeholders as part of its overall sustainability strategy. Stakeholder engagement enables the Group to continue to feel the pulse of internal and external groups that impact Ranhill or have the potential to impact the Group.

Engagement enables the Group to solicit much-needed feedback as to the effectiveness of our strategies and actions were taken and if these have been well received by stakeholders. It also provides us with insights as to how we may further improve our efforts to ensure there is stronger buy-in from stakeholders going forward. In essence, the input and insights we received from stakeholders allow Ranhill to develop a more inclusive or 360° view of the organisation and its EES impacts.

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 SR2018 under the Stakeholder Engagement section.

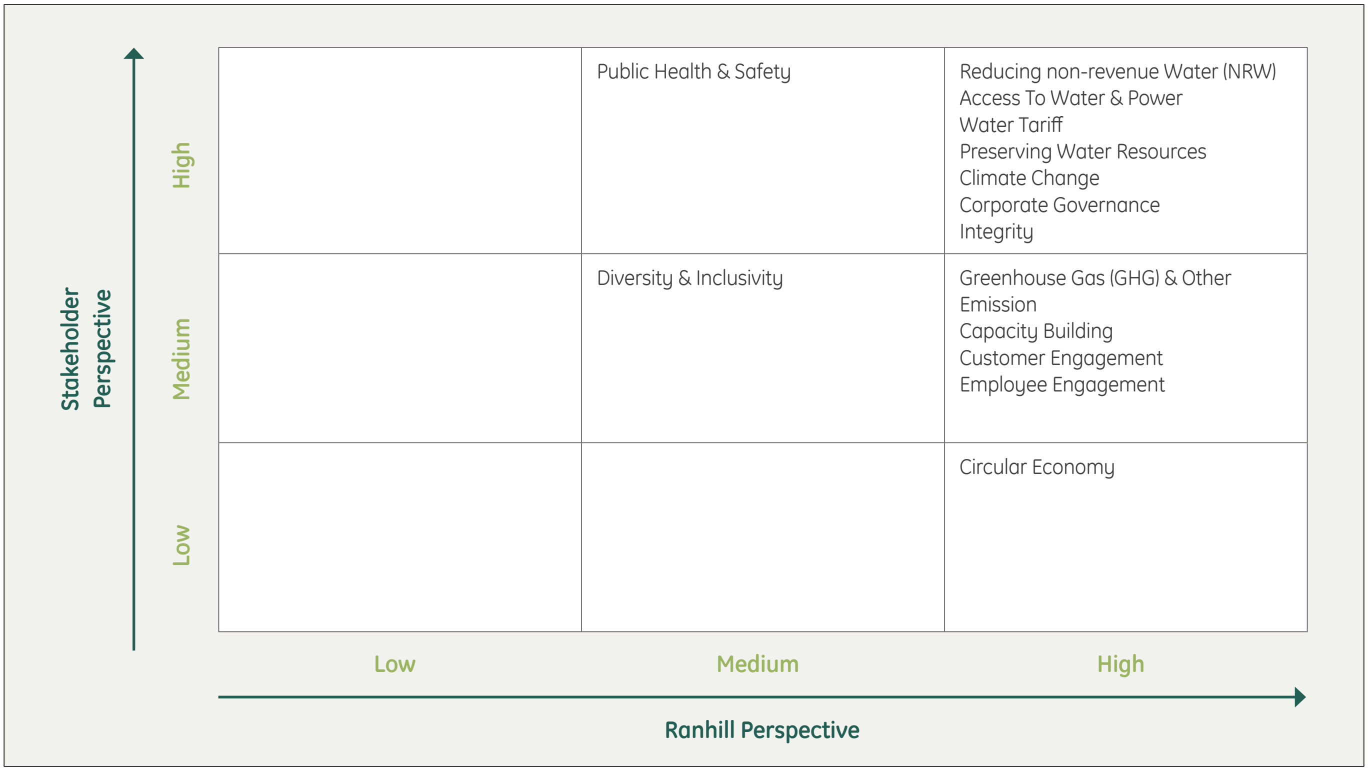
MATERIALITY MATTERS

By taking into account stakeholder views and perspectives and integrating these with our own internal knowledge, the Group has developed its materiality matrix for FY2018. The matrix presents Ranhill's most significant materiality topics and aspects, which have been approved by Management and thereafter validated by the Board of Directors.

For FY2018, the Group's materiality matrix and materiality matters remain unchanged given that the Group's operations within the environment and power sectors have largely remain unchanged.

Of note, we have made considerable progress in FY2018 across all identified materiality matters. The various strategic initiatives and implementation plans undertaken during the year has enabled Ranhill to close or narrow identified gaps while further strengthening areas where we have the existing track record for good performance.

We remain aware that as we continue to register achievements, we acknowledge that there are also areas where we can further improve. We remain cognisant that our performance in FY2018 is a work in progress and that the realisation of sustainability is a journey, rather than a fixed target (s). We will continue to redouble our efforts going forward.



Stakeholder Perspective / Ranhill Perspective	Low	Medium	High
High		Public Health & Safety	Reducing non-revenue Water (NRW) Access To Water & Power Water Tariff Preserving Water Resources Climate Change Corporate Governance Integrity
Medium		Diversity & Inclusivity	Greenhouse Gas (GHG) & Other Emission Capacity Building Customer Engagement Employee Engagement
Low			Circular Economy

ADDRESSING ISSUES & CHALLENGES: CLIMATE CHANGE

Climate change is a material issue for Ranhill as it has the potential to impact rainfall and the availability of upstream water for our treatment plants, which in turn disrupts the availability of raw water supply required for the Group's environment operations.

Beyond rainfall patterns, climate change may also potentially lead to high temperatures, desertification and even situations of prolonged drought or torrential rain. Extreme temperatures may cause greater levels of water loss from evaporation (at water bodies such as rivers, once again reducing the availability of water supply).

Coupled with increased population and industrial growth as well as urbanisation, climate change places further strain on limited water sources. The Group, to the best of its capabilities, continues to mitigate and manage the associated impacts of climate change. This includes but is not limited to the following:

Climate Change Mitigation Measures

- Continuously working with governments, authorities, strategic partners, industry peers and across the value chain to promote awareness and action in addressing climate change issues
- Tracking performance across multiple disclosures to monitor potential environmental impact. These include (but are not limited to) NRW, water withdrawn from sources, power consumption, greenhouse gas emissions ("GHG") and others
- Setting defined targets i.e. reduction in production of GHG across all scopes with a 5% reduction target in emissions for every cubic meter of water produced
- Reviewing carbon footprint reduction measures across all subsidiaries
- Monitoring the effects of climate change on our water resources

PRESERVING WATER RESOURCES

Water contamination and pollution

In FY2018, incidences of ammonia pollution in several rivers, impacted our WTPs, resulting in an occasional operational shutdown. WTPs affected in FY2018 were Bukit Batu (Kulai), Sultan Ismail (Johor Bahru), Simpang Renggam (Kluang) and Semangar (Kota Tinggi). In particular, we highlight Sungai Ulu Benut where the river was polluted by leachate discharge from the landfill site in Simpang Renggam as well as domestic sewage from Simpang Renggam town.

Number of Cases and Total Hours of Shutdown

Year	Interruption Due To Ammonia Contamination In Raw Water (No. Of Cases)	Total Hours Of Shutdown
2016	5	37.08
2017	26	204.6
2018	**26**	**204.4**

The deterioration in raw water quality leads to increased cost of water treatment, especially for the cost of chemicals, energy consumption and plant maintenance. In addition, long-term plant closure due to raw water contamination requires water to be then supplied to customers via mobile tankers, which in turns increases operational costs (petrol, staff, etc.) and more greenhouse gas ("GHG") emissions.

There is also the risk of pipes bursting once water supply resumes due to the build-up of air locks within the piping system. This can potentially lead to higher maintenance outlay not forgetting increased water loss from NRW due to burst or leakage pipes.

In addressing water contamination and pollution, Ranhill, collaborating with several government agencies, implemented its Water Safety Plan ("WSP").

Treated Water Quality Compliance Key Performance Indicators

Despite all of the challenges and difficulties faced, Ranhill has achieved full regulatory compliance in accordance with benchmarks set by SPAN and the Ministry of Health Malaysia ("MOH"). The quality of treated water produced complies with international standards for drinking water set by the World Health Organisation (WHO). Following are the main water quality parameters and our actual achievements against targets set by MOH:

Selected Key Parameters	MoH Standard	Target	Achievement	Exceeded By
Residual Chlorine	0.2-5.0 mg/L	99.00%	99.93%	+0.93%
E.Coli (Faecal Coliform)	Absent in 100ml sample	99.90%	100%	+0.10%
Turbidity	<5.0 NTU	99.70%	99.98%	+0.28%
Aluminium	<0.2 mg/L	95.00%	97.28%	+2.28%
E.Coli Res. Chlorine	Absent in 100ml sample 0.2-5.0 mg/L	99.95%	100%	+0.05%

In ensuring the preservation and protection of water sources, a holistic approach which includes long-term planning of land use by local authorities required.

In Thailand, measurements of wastewater and treated water from our plants are taken on a regular basis for laboratory testing. The main parameters tested are water colour, pH total dissolved solids ("TDS"), suspended solids ("SS"), biochemical oxygen demand ("BOD"), chemical oxygen demand ("COD"), total Kjeldahl nitrogen ("TKN") and oil, grease & fat.

On the whole, we have continued to ensure that our operations comply with set standards by regulators in Thailand. The full results of the performance of our Thai operations is given in Ranhill's SR2018.

SUSTAINABILITY STATEMENT

WATER CONSUMPTION

Ranhill sources water from upstream rivers, which is then treated for the production of potable water supply. Water withdrawn continues to increase to meet growing demand stemming from population growth and increased socio-economic development and activity:

RanhillSaj: Raw Water Abstractions

Year	Total (m^3)	Raw Water Abstractions River (m^3)	Raw Water Abstractions Dam (m^3)	Average (m^3/Month)
2017	644,084,373.29	393,886,741.48	250,197,631.81	53,673,697.77
2018	672,482,177.06	395,921,312.66	276,560,864.39	56,040,181.42

RanhillSaj: 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)
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
2018	672,482,177	641,291,211	31,190,966	87,204,581

RanhillPower I & RanhillPower II: 3 Years of Water Consumption (m^3)

Year	RanhillPower I	RanhillPower II
2016	86,165	48,117
2017	81,427	46,638
2018	89,581	53,187

NON-REVENUE WATER ("NRW")

Ranhill is a leader in the management of Non-Revenue Water ("NRW"). Our NRW projects are located in Johor, Pahang, Kelantan, Melaka and Kedah. NRW level for the state of Johor stands at 24.19% (as at 31 December 2018) with a saving 35 MLD in the process.

Year Achievement	2016	2017	2018
NRW Level	25.9%	24.7%	24.19%

High NRW loss is a leading cause for many water and related problems. It is widely accepted that NRW loss is one of the main reasons why WTPs are compelled to increase production. NRW water also is a loss of revenue.

By reducing NRW levels, the stress on WTPs and supporting assets can be reduced significantly resulting in lower maintenance cost as well as resource consumption for production (power, raw water, etc.). There is also less strain on existing water assets and infrastructure.

The reduction of NRW levels can be achieved but it will require significant capital outlay. Hence the justification to revise tariffs rates to ensure that revenue collection can offset the expected large capital expenditure.

WATER TARIFF

Water tariffs in Malaysia are set and regulated by the National Service Water Commission ("SPAN").

Despite mounting operating costs, RanhillSaj is able to maintain the quality of treated water produced and meet all KPIs as increased consumption demand and consequently, higher revenue is able to offset the constraints imposed by a fixed tariff structure and increasing rental lease payments to the government.

However, continuing rising costs, including an increase in electricity tariffs and costs of chemicals are increasing the pressure on operations. A regular tariff review will be supportive of our efforts to continue meeting KPIs and delivering excellent service, while taking into account it must be done with consideration of rising cost implications to consumers.

GREENHOUSE GAS EMISSIONS

The Group continues to take measures to manage its greenhouse gas ("GHG") emissions. In FY2018, GHG emissions were on the rise across all scopes except for Scope 1 CO2e emissions.

RanhillSaj: Total Co2 Emissions:

Performance Measure	2018	2017	2016
Total CO2e emissions	263,391 mt CO2eq	247,202 mt CO2eq	269,268 mt CO2 eq
Scope 1 CO2e emissions	2,957.7 mt CO2eq	3,315.6 mt CO2eq	4,579.48 mt CO2eq
Scope 2 CO2e emissions	235,611.5 mt CO2eq	219,688.4 mt CO2eq	242, 060.79 mt CO2eq
Scope 3 CO2e emissions	24,821.8 mt CO2eq	24.198.1 mt CO2eq	22,627.97 mt CO2eq

RanhillSaj: Total Carbon Intensity

Performance Measure	2018	2017	2016
Carbon Intensity	0.3419 kg CO2 eq/m3 of raw water	0.3415 kg CO2 eq/m3 of raw water	0.3590 kg CO2 eq/m3 of raw water

ENERGY CONSUMPTION AND HEAT GENERATED

The largest energy consumer with Ranhill is Group subsidiary, RanhillSaj which oversees the Group water business. RanhillSaj's management approach to energy consumption is based on the MS ISO50001: 2011 Energy Policy. In FY2018, the total energy consumption for RanhillSaj (WTPs) increased due to an additional pumping of raw water. In addition, there was also a higher number of staff in FY2018.

SUSTAINABILITY STATEMENT

3 Years Of Total Energy Consumption (GWh):

Year	RanhillSaj (WTPs)	RanhillSaj (Headquarters)	RanhillPower I	RanhillPower II
2016	300.055	1.518	37,937	39,770
2017	292.746	1.488	40,650	38,013
2018	305.166	1.496	42,119	44,024

	2018	2017	2016
RanhillPower I	9,512.83 kJ/kWh	9,468.02 kJ/kWh	9,639.15 kJ/kWh
RanhillPower II	8,724.73 kJ/kWh	9,591.24 kJ/kWh	8,791.11 kJ/kWh

Note: Data provided for 2017 is for the heat rate. The new data given is heat generated from operations.

CONTRIBUTION TOWARDS SOCIAL WELLBEING

Community Engagement

Community engagement is material to the Group as we believe that the ownership, of sustainability ultimately comes down to all members of society. Every individual has a role to play. Given the nature of our business operations, Ranhill has continued to focus its community engagement activities on water conservation and climate change awareness by targeting the future generation – school children.

PROGRAMME / INITIATIVE	ENGAGEMENT DETAILS
Water Conservation And Consumption Outreach Programme	Throughout the year, Ranhill has continued to reach out to the community at large consisting of villagers, the general public, schools, commercial and office buildings and more.
NRW Management Awareness Programmes To Targeted Groups	Targets Ranhill employees and various level of shareholders as well as the National Water Service Commission ("SPAN"), Ministry of Water, Land and Natural Resources ("KATS"), consumers and others. The programme emphasised the physical and commercial loss of NRW and what employees as individuals can do to help address the issue.
Young Water Professionals ("YWP")	The YWP is a programme designed to develop future talents for the water industry in Malaysia, starting with Ranhill's staff. Participants are trained to facilitate or implement Ranhill's community outreach programmes. In FY2018, over 88 staff from across the Group's operation attended various programmes.
Learning Centre At Amata Nakorn Industrial Estate, Thailand	The centre allows industry professionals and the general public to gain a better understanding of the importance of water and wastewater treatment to their lives, while showcasing Ranhill's technologies. In FY2018, the centre showed a 41% increase in visitors with visitor hours correspondingly rising to 29 hours. (FY2017: 20.5 hours).

CORPORATE SOCIAL RESPONSIBILITY

PROGRAMME / INITIATIVE	ENGAGEMENT DETAILS
Access To Water For The Underprivileged (Water Rebate Programme)	As at 31 December 2018, over 2,980 poor and 78 hard-core poor households have benefitted from the programme. This is an increase of 0.3% y-o-y (FY2017: 2,969 poor and 80 hard-core poor households).
Supporting Underprivileged Communities	In continuing to lend assistance to needy communities in Sabah, RanhillPower, has engaged with Rumah Anak Yatim and Asnaf (RAYA) Kg Langsat. Located in Lohan, Ranau, Sabah, staff from RanhillPower contributed both financially as well as their personal time and efforts to help the villagers with their new secondary school and to also help resolve logistics and transportation issues.
Aid For Fire Victims	In helping a family of nine get back on their feet after a fire razed their home to the ground, staff from RanhillPower rose to the occasion to build a new house for the family. The house that was built by RanhillPower measured 20ft by 30ft and cost RM60,000.00. 80% of the cost was borne by RanhillPower with the rest coming from various corporate sponsors.
Helping Victims Of Natural Disasters	Responding to the tragedy of first an earthquake followed by a tsunami that hit Palu and Donggala in Central Sulawesi, Indonesia, Ranhill moved swiftly to send an assessment team consisting of engineers and chemists to assess the technical requirements and feasibility to install a mobile water treatment facility. Plans are in progress to install the facility which is designed to produce 40m3/day of RO water. At maximum production, the plant can serve up to 8000 people daily based on the average human daily consumption of 5 litres per day.

INSPIRATIONAL WORKPLACE & CULTURE

The Group continues to develop its most valued asset; the human capital within Ranhill. Among the key strategic components, we have focussed on improving in FY2018 were employee benefits and remuneration, training and development opportunities and organisational culture or esprit de corps. In this regard, in FY2018, the Group has developed a comprehensive human capital strategy to address the following key areas:

- Recruitment & Selection
- Employee Competency and Career Development
- Succession Planning and Management
- Competency Based Performance Management System
- Promotions & Reward Management
- Management of Underperformance
- Internship and Management Trainee Programme
- Code of Conduct and Business Ethics
- Sexual Harassment
- Grievance Handling
- Fraud & Whistleblowing

SUSTAINABILITY STATEMENT

The Group has seen its employee training and development budget increase by 24.79% to RM 2.96 million. Training is paid for via funds contributed to the Human Resources Development Fund ("HRDF"). Overall, average training hours per employee has increased to 32.33 hours while average training spends per employee has increased 20.61% to RM983.Total training man-hours were 97,368.3.

The Group continues to advocate staff to achieve a healthy work-life balance.

Beyond activities, the Group has continued to implement flexible working hours for employees. Ranhill continues to recognise the employee for professional excellence as well as long service.

As we develop our employees, we also develop our leadership bench to ensure sustainability for key positions across all organisational levels within the Group. Continuing to collaborate with leading human resource and talent development firm, Development Dimensions International ("DDI"), the Group identified over 100 potential leaders at varying levels of seniority and readiness.

No.	Title	Total (person)
1.	Leadership Development Center (C-1)	21
2.	Leaders3 Ready (C-2)	30
3.	Leadership Potential Early Identifier	50

The above will be put through a talent development funnel programme that will hone their capabilities while refining them into future leaders for Ranhill against defined Ranhill Business Drivers and Leadership Competencies.

HEALTH & SAFETY

Safeguarding the safety and health of the Group's people, contractors as well as local community wherever it operates globally is of utmost importance and the Group is working towards its overall goal of No Harm To People.

The Group adheres to the Occupational Health and Safety Assessment Series, (OHSAS 18001) certification with nine (9) locations under RanhillSaj and two (2) locations under RanhillPower in compliance with the standard. Overall stewardship of Health and Safety comes under the purview of Occupational Safety & Health Act 1994 and Factory & Machinery Act 1967. Beyond compliance, we are happy to report that in FY2018, we have continued to bolster our track record to continue registering excellence in Health & Safety.

Occupational Incident Case	Rate	Unit
Fatality	0	per 1,000 employees
Incidence	16.24	per 1,000 employees
Frequency	7.88	per 1,000,000 man-hours
Severity	11.09	per 1,000,000 man-hours

Number of Lost Time Injuries (LTI) Cases

2018	2017	2016
4	12	3

The Group has identified areas or issues that are prone or more susceptible to health and safety issues. These are:

- Facilities / structure failure (dam / reservoir / pipeline ruptured)
- Operational failure (Chlorine leak)
- Water Quality non-compliance / sabotage (water supply)
- Contractor Management failure (especially traffic management)
- Operational mismanagement (release of sludge during scouring / tank cleaning process)

We are addressing these areas progressively to reduce Health, Safety and Environment ("HSE") risks associated with business operations.

ENHANCING GOVERNANCE ACROSS THE GROUP

The Group is guided by the Malaysia Code of Corporate Governance ("Principles") 2017 in its effort to implement corporate governance best practices. The Board's role is clearly defined in its Board Charter and the roles and responsibilities of each Board subcommittee is clearly provided for in their respective Terms of Reference ("TOR"). Ranhill has also established policies in relation to the following:

- Code of Conduct and Business Ethics
- Business Continuity Management
- Third Party Dealings

- Risk Management
- Fraud and Whistleblowing
- Corporate Disclosure

More disclosure and details on Ranhill's corporate governance practices are given in the Group's FY2018 Corporate Governance Report ("CG Report") and also in the Ranhill Group Holdings Berhad FY2018 Annual Report.

From an industry perspective, Ranhill is guided by the Water Services Industry Act (WSIA) 2006 and subsidiary laws. Water supply services agreements signed between customers and RanhillSaj clearly states the responsibilities of the water distribution licensee and customers' obligations. The Company's policies and procedures are consistent with SPAN's.

In the power segment, RanhillPower 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 the selection of contractors and suppliers.

Group subsidiary, RanhillSaj 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. As at end 31 December 2018, Ranhill has not received any whistleblowing reports or incidents of corruption.

The Group also screens suppliers for good corporate governance practices. All 3rd party contracts across the Group include an anti-bribery section. Which suppliers must provide their explicit consent to abide by in order to tender for contracts.

The procurement process is centred on an open tender approach where any qualified contractor or vendor may submit a bid. In line with providing opportunities to grow the value chain, the Group continues, where possible to facilitate local vendor development. Hence, in FY2018, the Group continues to see a strong local procurement across all subsidiaries. Local suppliers are defined as supplier / vendors who are incorporated within the country of origin in which Ranhill operates in.

RanhillSaj	99% local suppliers / vendors
RWT	100% from local suppliers / vendors
Ranhill Power	96% Local with balance being foreign suppliers
RWS	100% local suppliers / vendors preferred

CUSTOMER ENGAGEMENT (CUSTOMER SATISFACTION & TRUST)

Customer Satisfaction Survey & Customer Service Efficiency Program

RanhillSaj has implemented a customer satisfaction survey since 2007. It is held every year to ensure that the Customer Charter is able to meet customer needs and satisfaction. This study was carried out by focusing on water delivery operations and services that is a reflection of the services offered to customers.

Whilst for the FY2018, RanhillSaj has established the customer Service Standards and Practices ("SSP") to enhance customer service efficiency. RanhillSaj has made progress on some of the strategies and is moving forward with the remaining actions as we work toward customer service efficiency and excellence by FY2019.

ISO Certification

RanhillSaj has obtained ISO Certification for the Head Office, the water treatment plants and the Central Laboratory in our effort to improve customer services. The certification covers planning, development, operations and other support services relating to water supply.

In improving our corporate governance through implementation of best practices, RWT has received the ISO 9001:2015 certification, which was obtained in early FY2018. This highlights the commitment to ensuring proper business governance, quality assurance and readiness in supporting bids across the region.

BOARD OF DIRECTORS

From left to right:

1. ABU TALIB ABDUL RAHMAN
2. LEOW PEEN FONG
3. TAN SRI HAMDAN MOHAMAD
4. DATO SRI LIM HAW KUANG
5. DATUK ABDULLAH KARIM
6. LIM HUN SOON @ DAVID LIM
7. TAN SRI AZMAN YAHYA
8. LOONG MEI YIN

BOARD OF DIRECTORS

Ethnicity

Malay	4
Chinese	4

Nationality

8

Gender

6

2

Age Group

41-50	1
51-60	1
61-70	6

BOARD OF DIRECTORS' PROFILE

TAN SRI AZMAN YAHYA

Chairman/Independent Non-Executive Chairman

Age
55

APPOINTMENT TO THE BOARD

Appointed on our Board as Non-Independent Non-Executive Chairman on 1 September 2014

He had been re-designated as Independent Non Executive Chairman on 2 February 2019 pursuant to Bursa Main Market Listing Requirements ("BMLR")

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

7/7

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

- 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
63

APPOINTMENT TO THE BOARD

Appointed as Executive Director/President and Chief Executive on 1 December 2015

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

7/7

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

- Bachelor of Engineering degree from 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 our 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 Master's 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

Age 65

APPOINTMENT TO THE BOARD

Appointed to our Board as Executive Director on 1 September 2014

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

5/7

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 (Re-designated as Senior Independent Non-Executive Director with effect from 1 December 2017)

Dato Sri Lim is also a Board member of Bank Negara Malaysia.

BOARD OF DIRECTORS' PROFILE

DATUK ABDULLAH KARIM

Senior Independent Non-Executive Director

Age 67

APPOINTMENT TO THE BOARD

Appointed to our Board as Independent Non-Executive Director on 31 March 2017 and had been re-designated as Senior Independent Non-Executive Director on 13 November 2018.

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

7/7

BOARD OF COMMITTEE MEMBERSHIPS

- Nominating And Remuneration Committee (Appointed as Chairman effective from 1 September 2018)

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 the 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.

He was appointed as Independent Non-Executive Director and also a member of Audit Committee, Nomination and Remuneration Committee and Risk Committee of Yinson Holdings Berhad effective from 16 October 2018.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Icon Offshore Berhad
- Uzma Berhad
- Yinson Holdings Berhad

BOARD OF DIRECTORS' PROFILE

LIM HUN SOON @ DAVID LIM

Independent Non-Executive Director

Age 64

APPOINTMENT TO THE BOARD

Appointed to our Board as Independent Non-Executive Director on 1 December 2015

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

6/7

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee (Chairman)

QUALIFICATION

- Bachelor of Arts in Economics from the University of Leeds
- Member of the Chartered Institute of Taxation, United Kingdom
- Member of the Institute of Chartered Accountant in England and Wales
- Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants

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 a 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
- Sasbadi Holdings Berhad
- Kawan Food Berhad
- Affin Hwang Investment Bank Berhad
- Affin Investment Berhad (in voluntary liquidation)
- Manulife Insurance Berhad
- Rockwills Trustee Bhd
- Fairview Schools Berhad
- Press Metal Aluminium Holdings Berhad

BOARD OF DIRECTORS' PROFILE

LOONG MEI YIN

Non-Independent Non-Executive Director

Age 49

APPOINTMENT TO THE BOARD

Appointed to our Board as Non-Independent Non-Executive Director on 16 November 2016

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

5/7

BOARD OF COMMITTEE MEMBERSHIPS

- Strategy And Investment Committee (Member)

QUALIFICATION

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

SKILLS AND EXPERIENCE

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

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

BOARD OF DIRECTORS' PROFILE

ABU TALIB ABDUL RAHMAN

Independent Non-Executive Director

Age
66

APPOINTMENT TO THE BOARD

Appointed to our Board as Independent Non-Executive Director on 1 December 2015

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

7/7

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 the 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

LEOW PEEN FONG

Independent Non-Executive Director

Age
62

APPOINTMENT TO THE BOARD

Appointed on our Board as an Independent Non-Executive Director on 2 March 2018

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

5/5

BOARD OF COMMITTEE MEMBERSHIPS

- Audit Committee - Appointed effective 13 November 2018
- Governance and Risk Management Committee (Chairman) -Appointed effective from 1 September 2018

QUALIFICATION

- Bachelor of Arts (Economics) Universiti Malaya (1980)
- Diploma in Public Administration (1981)
- Master of Arts (Development Economics), Williams College, USA (1991)
- Advanced Management Program, Fontainebleau, France (2007)

SKILLS AND EXPERIENCE

She was formerly the Chief Operating Officer of Suruhanjaya Perkhidmatan Air Negara (SPAN) before she retired from the position in November 2017. During her tenure in SPAN, she was involved in determining the policy and direction of the Malaysian water services industry reform from its conception which resulted in the passing of the Water Services Industry Act, 2006 (WSIA), to execution as well as monitoring the implementation to:-

- develop an industry model that will transform the water services industry into a sustainable and well-regulated industry that strives for better water conservation and efficiency through right pricing of water, coupled with innovative financing instruments to secure funding to finance the cost of upgrading and replacing ageing assets as well as the construction of new infrastructure;
- restructure state water authorities' debt by providing new financing models and to work towards full cost recovery;
- develop a tariff setting framework that promotes efficiency and transparency, provides consumers with a fair and affordable price structure, and ensures reasonable returns that commensurate with the risks taken by the operators;
- develop key management tools to measure and evaluate the performance of licensees by developing performance standards and Key Performance Indicators (KPIs) for water services and sewerage services licensees.
- Integrate the water and sewerage services;
- develop and standardize rules and regulations to guide developers, contractors and licensees towards high quality service delivery; and
- enforce the related laws and regulations.

Before she joined SPAN, she held various positions in the Ministry of Finance Department ("MOF") of Malaysia from 1988 to 2007. With her vast experience in the public financial sector, she was tasked with restructuring the corporate debt of several privatized projects during the Asian financial crisis of 1997/1998. The major restructuring exercise that she had completed at the height of the financial crisis included the debt restructuring of highways, telecommunication and the takeover and merger of the light rail transit companies. She has also been placed in the Economics Division which responsible for macro-economic scenario planning and forecasting as well as preparation of the Annual Economic Reports. The Economic Reports focused on the performance of the economy for the year as well as the outlook for the following year.

She also served in the Ministry of Health ("MOH") from 1981 to 1988, where she was responsible for the projection and management of manpower needs of the support services for the health sector which comprise categories such as dietitians, nutritionists, welfare officers and researches. The management of manpower of these categories include the placement of officers in the various hospitals, clinics as well as research and training institutions, confirmation, discipline as well as charting their career development paths.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

- Nil

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 19 March 2019; 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 2018.

KEY SENIOR MANAGEMENTS' PROFILE

DATUK IR. MUSTAZA SALIM

Chief Corporate Officer

Age 62

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 Ranhill SAJ Sdn Bhd. He is a Corporate Member of the Institution of Engineers, Malaysia; Professional Engineer of Board of Engineers, Malaysia; a member of the Road Engineering Association of Malaysia; and a Council Member of the Association of Consulting Engineers Malaysia.

DIRECTORSHIP IN PUBLIC COMPANIES

Senai-Desaru Expressway Berhad

CHOO CHEE KEEN

Chief Financial Officer

Age 49

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.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

KEY SENIOR MANAGEMENTS' PROFILE

DATO' AHMAD FAIZAL ABDUL RAHMAN

Chief Executive Officer, Ranhill SAJ Sdn Bhd

Age
50

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 as CEO of Pengurusan Aset Air Berhad (PAAB), a water asset management company wholly-owned by MOF Inc., with PAAB's main role to assist 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 and currently he is the CEO of Ranhill SAJ Sdn Bhd effective 31 March 2017.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

KHAIRUL EFFENDY TUSAM

Chief Executive Officer, Ranhill Water Services Sdn Bhd

Age
47

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 Ranhill SAJ Sdn Bhd (RanhillSaj) as the Head of Contract Section, where he managed all RanhillSaj's contracts state-wide with a total value of RM1.5 billion.

In 2009, he moved to Ranhill Water Services (RWS) as a Project Manager for a leakage reduction contract in Riyadh, Saudi Arabia.

In 2011, Khairul was then back to Malaysia as the Head of Business Development for RWS. With significant achievements that he has such as completion of more than RM650 Million value of water related contracts and cost saving of more than 472 MLD of treated water through NRW contracts. He also served as a mentor for several Water Operator Partnership Programs in the region.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

KEY SENIOR MANAGEMENTS' PROFILE

IR. DR. ZAHRUL FAIZI HUSSIEN

Chief Executive Officer, Ranhill Power Division

Age
47

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 started with Tenaga Nasional Berhad (TNB) for about 18 years, serving in various divisions as engineer and trainer with his last position in TNB was the General Manager at TNB Research Sdn Bhd. He was then joined Malakoff as the Head of Reliability Performance and Utilities, Malakoff Power Bhd where he oversaw the technical performance of Malakoff's power plants. 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
43

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 than 20 years of combined professional experiences in Strategic Planning, Business Development, Planning of Water and Wastewater Infrastructure and Operations of Wastewater Services. He started his career with 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 then 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 the Sewage Works Engineering Certificate from Japan International Cooperation Agency (JICA) in 2003.

DIRECTORSHIP IN PUBLIC COMPANIES

Nil

None of the Key Senior Management 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 19 March 2019; 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 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE AT RANHILL

Ranhill Holdings Berhad ("Ranhill" or "the Group") remains committed to enhancing and strengthening Corporate Governance within its organisation.

This 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 provides a summary account of how Ranhill has exemplified the following set principles throughout financial year ended 31 December 2018 ("FY2018").

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

The Statement is to be read together with the Ranhill Corporate Governance Report 2018 ("CG Report") for Ranhill which provides a detailed account of Ranhill's commitment and practice of corporate governance as outlined in the Malaysian Code of Corporate Governance 2017 ("MCCG"). The CG Report is available at: www.ranhill.com.my.

BOARD LEADERSHIP AND EFFECTIVENESS

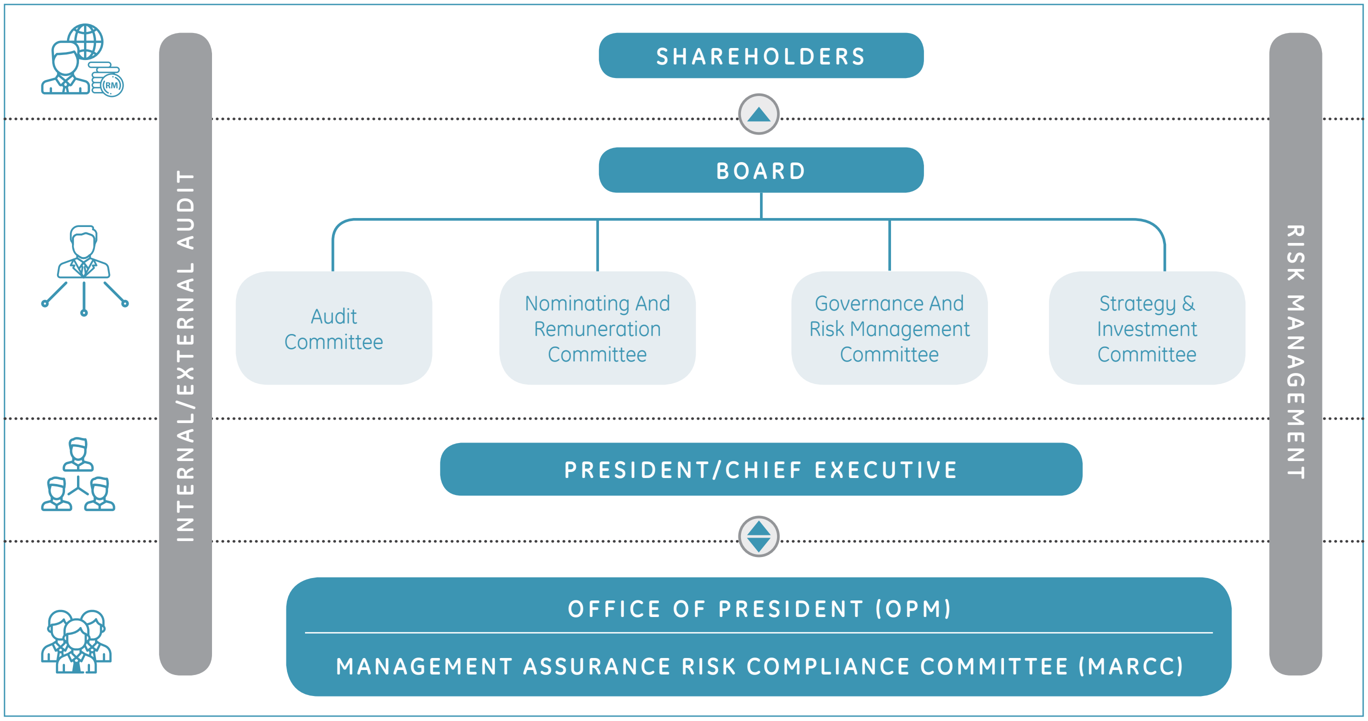
I. BOARD RESPONSIBILITIES

GOVERNANCE FRAMEWORK

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

The Board remains cognisant and 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 a good corporate culture.

CORPORATE GOVERNANCE MODEL



CORPORATE GOVERNANCE OVERVIEW STATEMENT

In supporting the Board to discharge its duties effectively, 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 work. It establishes a common approach to how we operate, irrespective of geographical location.

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

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")
- Ranhill Code of Conduct & Business Ethics Policy ("CCBE")
- Ranhill Fraud & Whistleblowing Policy
- Ranhill 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 addressed 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 has been updated to further strengthen the role of Directors and to facilitate more effective oversight of the Group towards ensuring enhanced corporate governance. The updated 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:

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; and	Setting up of Subsidiary, Joint Venture, Strategic Alliance and Partnership; and
Approving dividends.	Board Charter and Terms of Reference of Board Committees.

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. 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.

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

BOARD ACTIVITIES AND TASKS IN 2018

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 Increments

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 third (3rd) year as a listed company:-
    - Enhanced Ranhill Authority Manual
    - P&P on Donations
    - Risk and Incident Escalation P&P
- Matters relating to the AGM 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 in the Statement of Risk Management and Internal Control of this annual report.
- Briefing on key development and updates on Corporate Liability matters in relation to the Malaysian Anti-Corruption Commission (Amendment) Act, 2018 (**"MACC 2018"**) which will come into force by 2020.
- Health and Safety and Environmental Manual proposal.

NOMINATING AND REMUNERATION

- Assessment and Appointment of potential candidate for directorship on the Board in line with the Company's business needs and strategies.
- Review annually on the Board size and composition to ensure the required mix of skills, experience, competencies, independence and diversity required of Board and Board Committee members to best serve the Group and its businesses and operations as a whole.
- Facilitate the re-election by shareholders of any Director under the "retirement by rotation".
- Review yearly on the overall performance and reward for Executive Directors, Management and Staff.
- Undertake yearly assessment in respect of its Board, committees and individual directors together with the criteria used for such assessment.

II. BOARD COMPOSITION

BOARD COMPOSITION AND INDEPENDENCE

BOARD COMPOSITION

The Board comprises eight (8) members of which two (2) are Executive Directors and six (6) are Non-Executive Directors, five (5) of whom are independent Directors. The Independent Directors make up more than half of the Board, as recommended by the MCCG. 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.

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.

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.

BOARD DIVERSITY

During the financial year, the Board had two (2) sitting female Directors, Ms. Loong Mei Yin who was appointed on 16 November 2016, and Ms. Leow Peen Fong who was appointed on 2 March 2018, Ms Loong serves as a Non-Independent and Non-Executive Director while Ms. Leow sits on the Board as an Independent Non-Executive Director.

With this, the Board has two (2) women sitting on the Board out of a total composition of eight (8) directors. The 25% female composition brings us closer towards Bursa Malaysia's target of having at least 30% of Directors to constitute women by 2020.

The profiles of the Ranhill Board of Directors are given in detail in the Directors' Profiles section of this Annual Report.

BOARD INDEPENDENCE

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

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

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- Is employed, or has previously been employed in an executive capacity by the company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Is, or has within the last three (3) 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 (3) 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; and
- 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 the Independent Directors and their ability to act in the interest of the Group. In justifying the decision, the NRC is entrusted with assessing 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

With the resignation of Tan Sri Saw Choo Boon and Datuk Seri Dr. Nik Norzrul Thani Bin Nik Hassan Thani as the Senior Independent Non-Executive Directors on 01st September 2018 and 18th September 2018 respectively, the Group has identified Datuk Abdullah Bin Karim as the Senior Independent Non-Executive Director ("SID") effective 13th November 2018. Datuk Abdullah is the designated contact point to whom shareholders may convey any concerns or queries on the affairs of the Company. The SID serves 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.

Datuk Abdullah Bin Karim can be contacted as follows: Abdulk0608@gmail.com

RE-ELECTION OF DIRECTORS

In line with Ranhill's Constitution, one third (1/3) of sitting directors shall retire by rotation at each AGM. The Constitution further provides that all Directors shall retire from office at least once in every three (3) years.

For FY2019, three (3) directors, Tan Sri Hamdan Mohamad, Dato Sri Lim Haw Kuang and Ms Loong Mei Yin shall retire and are eligible for re-appointment at the forthcoming AGM. The Board, via its NRC has assessed the said Directors based on their aptitude, experience, integrity, competence and time commitment and has recommended their re-election subject to shareholders' approval.

BOARD EFFECTIVENESS

BOARD EFFECTIVENESS EVALUATION ("BEE")

Annually, the Chairman of the Nominating & Remuneration Committee and supported by the Company Secretary conduct a Board Effectiveness Evaluation exercise to independently assess the effectiveness of every member of the Board. The criteria for evaluation are given in section 14.0 of the Board Charter which is available at www.ranhill.com.my.

TIME COMMITMENT

Directors must be able to allocate sufficient time and commitment in discharging their duties to the Company and as such, the time commitment is a key criteria for the assessment of the director's effectiveness and performance. This includes attendance at Board and Board Committee meetings, participation in meetings and other necessary duties. The Board obtains this commitment from Directors at the time of appointment.

In ensuring that Directors are able to better plan their schedules to attend meetings, the schedule of the meeting is set one year in advance before the end of the preceding financial year. If required, additional meetings are convened if and when urgent matters arise between the scheduled meetings.

Directors who intend to accept new directorships with other companies must notify the Chairman, notwithstanding that the Paragraph 15.06 of the Listing Requirements allow a Director to sit on the boards of five (5) listed issuers. At present, no Directors have more than five (5) directorships at any one time.

Following is the Directors' attendance for 2018:

Directors	Number of Meetings Held			
	Board	AC	NRC	GRMC
EXECUTIVE DIRECTORS				
TAN SRI HAMDAN MOHAMAD (Executive Director/President and Chief Executive) Note: Tan Sri Hamdan Mohamad have attended all of the Board Committee meetings as Group President and Chief Executive)	7/7			
DATO SRI LIM HAW KUANG (Executive Director)	5/7			3/4
NON-EXECUTIVE DIRECTORS				
TAN SRI AZMAN YAHYA (Chairman/Independent Non-Executive Director)	7/7		3/3	
DATUK ABDULLAH BIN KARIM (Senior Independent /Non-Executive Director) (Re-designated to Senior Independent/Non Executive Director wef. 13 November 2018)	7/7		3/3	
MR. LIM HUN SOON @ DAVID LIM (Independent/Non-Executive Director)	6/7	7/7		
ENCIK ABU TALIB BIN ABDUL RAHMAN (Independent/Non-Executive Director)	7/7	7/7	3/3	4/4
MS LOONG MEI YIN (Non-Independent/Non-Executive Director)	5/7			
MS LEOW PEEN FONG (Independent/Non-Executive Director) (1) appointed wef 2 March 2018 (2) appointed as AC member wef 13 November 2018 (3) appointed as GRMC Chairman wef 01 September 2018	(1)5/5	(2)1/1		(3)1/1

Note: For FY2018, no Strategic Investment Committee (SIC) Meeting was held. Due to expediency and with the consent of the SIC Chairman who is also the Chairman of the Board, it was agreed for the proposals to be forwarded directly to the Board for their review and consideration.

DIRECTOR'S TRAINING

Directors are provided with continuous training by Ranhill to ensure they stay abreast with emerging trends and new developments that may have an impact on the Company. This included regulatory updates or changes to audit, finance accounting and legal related matters. Continuous training is provided to ensure Directors possess the required knowledge, skills and expertise to discharge its duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Following is a list of conferences, seminars and training programmes attended by Ranhill's Board of Directors in 2018:

No.	Training/Seminar/Forum/Conferences
1.	Asia Clean Energy Forum 2018 (Philippines)
2.	Asia PE-VC Summit 2018 (Singapore)
3.	AMLATPUAA 2001: Risk Challenges & Vulnerabilities Towards Risk Based Approach
4.	Case Study Workshop for Independent Directors "Rethinking – Independent Directors: Board Best Practices"
5.	Companies Act 2016- Key Changes and Implications to Board
6.	Corporate Directors Conference 2018 (KING on Governance, Value Creation in the Era of Seismic Disruption)
7.	Cyber Security, Cyber Risks – Lessons from USA
8.	Ecosperity 2018 (Singapore)
9.	Focus Group Session: Discussion in Preparation for Dialogue with BNM's Senior Management
10.	FIDE Forum – 3rd Distinguished Board Leadership Series: Cryptocurrency & Blockchain Technology Viewpoints of an Entrepreneur
11.	Half Day Talk on Director's Duties & Remuneration Under Companies Act 2016, Listing Requirements & Corporate Governance Code 2017
12.	High Impact Governance Seminar on Corporate Compliance : Focusing on Directors' Duties, Liabilities and Expectations
13.	Key global trends and opportunities
14.	Khazanah Megatrends Forum 2018
15.	Mandatory Accreditation programme (MAP) for Directors of Public Listed Companies
16.	Malaysia Water Infra Corporate Day: Water Sector Reform
17.	MFRS 9: Board of Directors and Board Audit Committee Status Update
18.	MFRS 9: Status Update KPMG
19.	Milken Institute's 2018 Asian Summit (Singapore)
20.	PowerTalk 'Would a business judgement rule help director sleep better at night?'
21.	Protecting Innovation in the Age of Digital Connectivity
22.	Reinventing the Asian Conglomerate
23.	Sustainability Engagement Series for Directors / CEOs
24.	World Capital Markets Symposium Kuala Lumpur: Renaissance of Capitalism – Markets of Growth
25.	Workshop Corporate Governance of Data- Opportunities Challenges

Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge to discharge their duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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

DIRECTORS REMUNERATION FRAMEWORK

The structure of the fees payable to Directors of the Company for the FY2018 is as follows:

Appointment	per annum (RM)
Board of Directors	
Base fee	1,246,134
Audit Committee	
AC Chairman's fee	26,000
AC Member's fee	18,000
Governance Risk Management Committee	
GRMC Chairman's fee	Nil
GRMC Member's fee	Nil
Strategic Investment Committee	
SIC Chairman's fee	Nil
SIC Member's fee	Nil
Nominating and Remuneration Committee	
NRC Chairman's fee	Nil
NRC Member's fee	Nil

Notes: The details of the remuneration of Directors of the Company comprising remuneration received / receivable from the Company and subsidiary companies during FY2018 are as follows:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

	Company					Subsidiaries			
	Fees RM'000	Salaries & Bonus RM'000	Benefits-in-kind RM'000	Others RM'000	Company Total RM'000	Fees RM'000	Salaries & Bonus RM'000	Others RM'000	Group Total RM'000
Executive Directors									
Tan Sri Hamdan Mohamad		2,214	137	921	**3,272**	-	2,081	535	**5,888**
Dato Sri Lim Haw Kuang		2,160	-	257	**2,417**	-	-	-	**2,417**
Total		4,374	137	1,178	**5,689**	-	2,081	535	**8,305**
Non-Executive Directors									
Tan Sri Azman Yahya	180	-	-	24.5	**204.5**	-	-	-	**204.5**
Tan Sri Saw Choo Boon (resigned w.e.f. 01/09/2018)	144	-	-	26	**170**	-	-	-	**170**
En Abu Talib Abdul Rahman	162	-	-	37	**199**	133.3	-	-	**332.3**
Mr Lim Hun Soon @ David Lim	170	-	-	27.5	**197.5**	-	-	-	**197.5**
Datuk Seri Dr Nik Norzrul Thani (resigned w.e.f. 18/09/2018)	115.6	-	-	20.5	**136.1**	-	-	-	**136.1**
Datuk Zulkifli Ibrahim (resigned w.e.f. 01/06/2018)	60	-	-	10	**70**	-	-	-	**70**
Datuk Abdullah Karim	144	-	-	20.5	**164.5**	-	-	-	**164.5**
En Izaddeen Daud (resigned w.e.f. 09/01/2018)	3.5	-	-	-	**3.5**	-	-	-	**3.5**
*Ms Loong Mei Yin	144	-	-	12	**156**	-	-	-	**156**
Ms Leow Peen Fong	123	-	-	15.5	**138.5**	133.8	-	-	**272.3**
Total	**1,246.1**	**-**	**-**	**193.5**	**1,439.6**	**267.1**	**-**	**-**	**1,706.7**

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

In accordance with the Companies Act 2016, payment of Directors' fees and benefits shall be approved at a general meeting. The Board shall seek shareholders' approval at its upcoming AGM for the payment of Directors' fees and benefits for the Directors of the Group for FY2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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.

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 of this annual report.

The Directors are satisfied that in preparing the financial statements of the Company and of the Group, Ranhill has applied the appropriate accounting standards and policies with consistency in the preparation of these financial statements. The Directors' Responsibility Statement is enclosed in page 82 of the Annual 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. Further details on the key features of the risk management framework and GRMC are set out in the Statement on Risk Management and Internal Control of this Annual Report.

The Board is of the view that the system of internal control and risk management in place 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 of this Annual Report.

GOVERNANCE AND RISK MANAGEMENT COMMITTEE

- The GRMC serves the Board by providing in-depth governance of risk for the Group. The Terms of Reference ("TOR") can be found on the Board Charter is given at www.ranhill.com.my.

- Applying the principles and good practices of corporate governance, sustainability and corporate responsibility towards the stakeholders and to ensure compliance with applicable regulatory and legal requirements.

- Fulfilling its corporate governance, risk management and statutory responsibilities in order to effectively manage the overall risk exposure of the Group.

- Ensuring effective Fraud & Whistleblowing Policy and Procedures and Fraud Risk Management Programme are implemented and monitors its compliance.

INTERNAL AUDIT

The Group's GCAD department 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 observation reported and presented to the AC. The total costs incurred for the internal audit function for FY2018 was RM1.59 million (FY2017: RM1.8 million).

A comprehensive view of the Internal Audit function is provided in the AC's Report 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.

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 for approving and disclosing material information to shareholders and stakeholders.

The Board continues to ensure timely dissemination of information to stakeholders. This includes audited quarterly and annual financial results, the publishing of the Group's annual report, holding a briefing with analysts, engaging in media relations activities as well as community outreach initiatives and more.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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 FY2018, 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 also able to register their voting instructions electronically.

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

All of Ranhill's directors attended the Company's 2018 AGM and are expected to attend the 2019 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. The Directors are also present to answer questions in person.

At the last AGM, the President and Chief Executive provided shareholders with an overview of the Group's operations while the Chief Financial Officer provided a financial overview of the financial year's performance.

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 26 February 2019.

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 December 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	45	130	-
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 2018 are as follows:-

Fees Paid/Payable to Messrs Ernst & Young	Group RM'000	Company RM'000
Audit fees	1,490	105
Non-Audit Fees	221	0
Total	1,719	105

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 2018 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 2018 (FY2018) are set out below:

Membership Committee	Committee Attendance
Lim Hun Soon @ David Lim (Chairman/ Independent Non-Executive Director)	7/7
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani (Member/ Independent Non-Executive Director) *(Resigned with effect from 18 September 2018)*	5/6
Abu Talib Abdul Rahman (Member/ Independent Non-Executive Director)	7/7
Leow Peen Fong (Member/ Independent Non-Executive Director) *(Appointed to AC with effect from 13 November 2018)*	1/1

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 2018 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.

2. **External Audit (EA)**
   a. The AC reviewed the 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.

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 reviewed and deliberated on the 2018 shareholders' mandate for 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.
   c. 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 2018.

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 2018, GCAD has conducted 36 audit and advisory related engagements in various departments and subsidiaries of the Group. The audit engagements were carried out based on the annual audit plan approved by the AC and covered key subsidiaries of the Group, namely Ranhill SAJ Sdn Bhd and Ranhill Water Technologies Sdn Bhd.

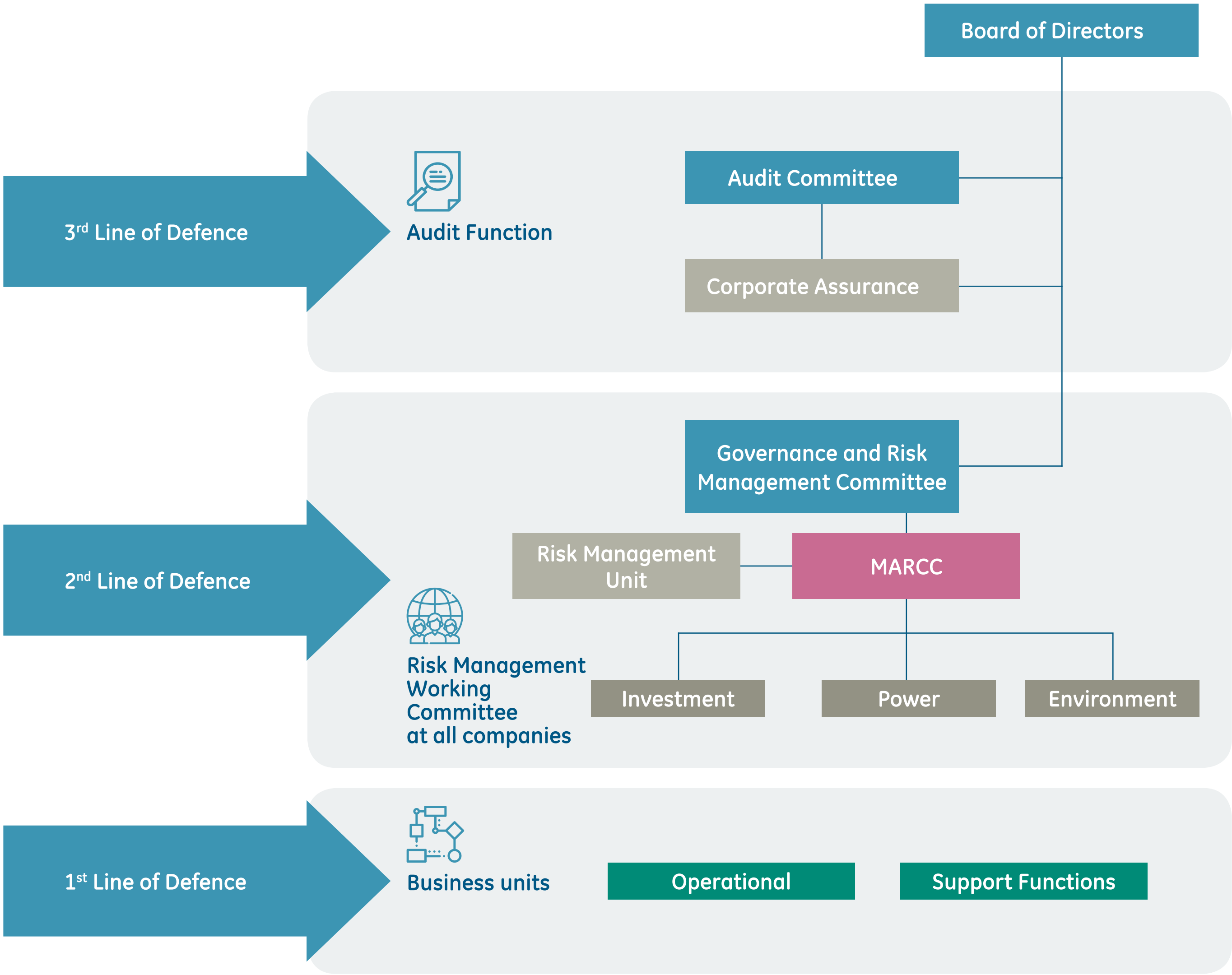
Audit observations on key control issues arising from the aforesaid IA engagements were reported and presented to the AC together with the agreed upon Management action plans. GCAD also monitors and provides updates to the AC on the status and progress of the action plans undertaken by the Management.

The total costs incurred for the IA function for the financial year ended 31 December 2018 amounted to RM1.59 million as compared to RM1.8 million in 2017.

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 assessing their effectiveness regularly. To achieve this, the Board ensures that there is a robust framework of the 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 ("CCO") 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 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.

h) **The Risk Management policy** and procedures coordinate and standardise the understanding and application of the Enterprise Risk Management ("ERM") framework within Ranhill Holdings Berhad, its subsidiaries and significant associates. Also, to create a strong awareness to staff on risk identification, measurement, control, on-going monitoring, responsibilities and accountabilities.

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, the 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. RMU as secretariat to MARCC is responsible for facilitating the implementation of the risk management framework amongst the Group. The MARCC will 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 the Head of Divisions, and the CEO of every Group Company are invited to attend the periodic meeting, when necessary. MARCC reports to GRMC 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 is required to report on the significant risks that impact the Group. GRMC reviews and assesses the management action plans in mitigating the significant risks.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2018, 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 26 February 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act 2016 ("the Act") requires the Directors to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018.

The Act also requires the Directors to keep such accounting and other records in a manner that enables them to sufficiently explain the transactions and financial position of the Company and the Group and to prepare true and fair financial statements and any documents required to be attached, as well as to enable such accounting records to be audited conveniently and properly.

In undertaking the responsibility placed upon them by law, the Directors have relied upon the Group's system of internal control to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently explain the transactions and financial position of the Group. This also enables the Directors to ensure that true and fair financial statements and documents required by the Act to be attached are prepared for the financial year to which these financial statements relate.

Incorporated on pages 83 to 245 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 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 2018.

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 activities of the Group and of the Company during the financial year.

Financial results

	Group RM'000	Company RM'000
Profit for the year	85,470	48,473
Profit attributable to:		
Owners of the parent	42,308	48,473
Non-controlling interests	43,162	-
	85,470	48,473

There were no material transfers to or from reserves or provisions during the financial year.

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, other than the impairment of investment in an associate amounting to RM18,451,000 as disclosed in Note 9 to the financial statements.

Dividends

The amounts of dividends paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Second interim tax exempt (single-tier) dividend of 2.0 sen on 888,315,767 ordinary shares, declared on 16 January 2018 and paid on 14 February 2018	17,766
Final tax exempt (single-tier) dividend of 2.0 sen on 888,315,767 ordinary shares, declared on 13 February 2018 and paid on 30 May 2018	17,766
In respect of the financial year ended 31 December 2018:	
First interim tax exempt (single-tier) dividend of 2.0 sen on 888,315,767 ordinary shares, declared on 9 August 2018 and paid on 6 September 2018	17,766
Second interim tax exempt (single-tier) dividend of 2.0 sen on 888,315,767 ordinary shares, declared on 13 November 2018 and paid on 13 December 2018	17,766
	71,064

The Board of Directors had on 28 February 2019, declared a third interim tax exempt (single-tier) dividend of 1.0 sen on 888,315,767 ordinary share in respect of the financial year ended 31 December 2018 amounting to RM8,883,000 and to be paid on 1 April 2019. The financial statements for the current financial year do not reflect this dividend. Such dividend, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2018, of 1.0 sen per share on 888,315,767 ordinary shares, amounting to a dividend payables of RM8,883,000 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 2019.

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**
Dato Sri Lim Haw Kuang
Lim Hun Soon @ David Lim
Abu Talib Bin Abdul Rahman**
Loong Mei Yin
Datuk Abdullah Karim
Leow Peen Fong** (Appointed on 2 March 2018)
Dato' Zulkifli Bin Ibrahim (Resigned on 1 June 2018)
Tan Sri Saw Choo Boon (Resigned on 1 September 2018)
Datuk Seri Dr. Nik Norzrul Thani Bin Nik Hassan Thani (Resigned on 18 September 2018)
Izaddeen Daud (Resigned on 9 January 2018)

**These directors are also directors 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 directors 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
Datuk Mustaza Bin Salim
Dato' Ahmad Faizal Bin Abdul Rahman
Datuk Ir. Abdul Kadir Bin Mohd Din
Narendran Maniam
Supasak Chirasavinuprapand
Abinash Majhi
Praphant Asavaaree
Dato' Haji Azmi Bin Rohani (Appointed on 18 July 2018)
Jimmy Puah Wee Tse (Appointed on 18 July 2018)
Dato' Sri Dr. Mohmad Isa Bin Hussain (Appointed on 18 July 2018)
Ng Ching Hai (Appointed on 18 July 2018)
Mohd Izhar Bin Ahmad (Appointed on 18 July 2018)
Datuk Mohd Zaid Bin Ibrahim (Appointed on 1 September 2018)
Ramle Bin Dua @ Ramli Dua Lee (Appointed on 1 September 2018)
Datuk Ir. Hasni Bin Mohamad (Resigned on 27 April 2018)
Dato' Ali Bin Bahari (Resigned on 4 June 2018)
Datuk Seri Kamarudin Bin Ambok (Resigned on 4 June 2018)
Dato' Haji Obet Bin Tawil (Resigned on 18 July 2018)
Datuk Au Kam Wah (Resigned on 1 September 2018)

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	1,731	1,246
Other emoluments	1,240	1,058
Salaries and bonus	6,455	4,374
Defined contribution plan	450	314
Benefits-in-kind	137	137
	10,013	7,129

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 2018 was RM223,000.

The total amount of sum insured for directors of the Group for the financial year amounted to RM91,250,000.

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' REPORT

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 1.1.2018	**Acquired**	**Sold**	**At 31.12.2018**
Direct interest:				
Ordinary shares of the Company				
Tan Sri Mohamed Azman Bin Yahya	1,500,000	-	-	1,500,000
Tan Sri Hamdan Mohamad	40,370,000	17,760,000	15,370,000	42,760,000
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)	-	7,659,400	16,500,000(1)
Tan Sri Hamdan Mohamad	257,240,098(2)	81,442,504	66,072,504	272,610,098(2)

(1) Deemed interested by virtue of his interest in 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. 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.

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.

Other statutory information (contd.)

(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.

Significant event

Significant event is disclosed in Note 47 to the financial statements.

Subsequent events

Subsequent events are disclosed in Note 48 to the financial statements.

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	1,042	105
- Member firms of Ernst & Young Global	410	-
Other auditors	38	-
	1,490	105

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.

DIRECTORS' REPORT

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2019.

Tan Sri Hamdan Mohamad

Datuk Abdullah Karim

STATEMENT BY DIRECTORS

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

We, Tan Sri Hamdan Mohamad and Datuk Abdullah Karim, 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 102 to 245 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 2018 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 14 March 2019.

Tan Sri Hamdan Mohamad

Datuk Abdullah Karim

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 102 to 245 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 (MIA 19773)
at Kuala Lumpur in the Federal Territory
on 14 March 2019.

Choo Chee Keen

Before me,

INDEPENDENT AUDITORS' REPORT

to 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 2018 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 102 to 245.

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 2018 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.

Uncertain tax position

(Refer Note 17 – Deferred Tax, Note 2.22 (b) – Summary of significant accounting policies: Income Tax – Deferred tax and Note 3.2 (c) – Key Sources of estimation uncertainty: Deferred tax assets)

Included in the deferred tax assets of the Group is an amount of RM57,702,000 arising from the unutilised investment allowance of a subsidiary, Ranhill Powertron II Sdn. Bhd. ("RanhillPower II"). The investment allowance was approved and granted by the Ministry of Finance ("MoF") to RanhillPower II in a letter dated 4 November 2010 and is available to be carried forward until it is utilised in full. Accordingly, the deferred tax asset has been recognised to the extent that it is probable that future taxable profit will be available against which such unutilised investment allowance can be utilised. In assessing this, RanhillPower II considered its projected taxable profits up to the end of the concession period in year 2032 under the Power Purchase Agreement ("PPA") and its terms and conditions therein.

During the year, the new Finance Act 2018 which came into effect on 27 December 2018, introduced a 7-Year Limitation on carry forward of unabsorbed business losses, unutilised reinvestment and investment allowances. Such ruling implies that RanhillPower II can only utilise its unutilised investment allowance against any taxable profit up to year 2026, requiring a potential reversal of deferred tax asset to the income statement of RM57,702,000. RanhillPower II, through its tax consultant, has since appealed to the Ministry of Finance ("MoF") to allow RanhillPower II to utilise the investment allowance up to the end of the concession period in year 2032. The appeal is currently under assessment and consideration by the MoF.

Key audit matters (contd.)

Uncertain tax position (contd.)

Management has consulted its tax consultants and solicitors who have advised that, based on the facts and circumstances of the approval of the investment allowance to RanhillPower II in prior years, it is reasonable for RanhillPower II to place reliance on such approval and continue with the utilisation of the investment allowance in full in accordance with its terms therein.

Management, after consultation with its tax consultants and solicitors, is of the opinion that it is likely that the appeal will be successful and determines its tax position on that basis. Accordingly, they continue to recognise the deferred tax asset relating to unutilised investment allowance on the basis that any unutilised investment allowance will be available up to year 2032.

The outcome of the appeal can only be confirmed by uncertain future events not wholly within the control of the Group and may develop in ways not initially expected. Therefore, the Group continually assesses the development of this appeal to determine its tax position. Such assessment involves significant judgment and estimates which are highly subjective. Accordingly, we consider this to be an area of audit focus.

In addressing this area of audit focus, we performed the following:

- reviewed the Group's correspondences and minutes of meetings with the MoF, tax consultants and solicitors relating to the appeal;

- we considered the objectivity, independence and expertise of the tax consultants and solicitors engaged by the Group to evaluate the possible outcome of the appeal;

- obtained and reviewed the legal opinion relied on by management. With the involvement of our tax specialist, we evaluated the basis of the legal opinion and management's assessment of the outcome of the appeal and the resulting tax position; and

- reviewed the adequacy of the disclosures made in the 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)

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 and related non-current assets in the CGU.

Key audit matters (contd.)

Impairment assessment of intangible asset - service license (contd.)

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

This was our area of focus as the impairment assessment was complex and judgmental, and involved the assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future water consumption and cost escalations. 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 and cost escalations, 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 2.26(a) – Revenue from contracts with customers)

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 transactions. In addition, significant estimates are involved in accounting for unbilled revenue at the reporting date.

Key audit matters (contd.)

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

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.

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.

Information other than the financial statements and auditors' report thereon (contd.)

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.

Auditors' responsibilities for the audit of the financial statements (contd.)

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.

Auditors' responsibilities for the audit of the financial statements (contd.)

- 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.

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	Chong Tse Heng
AF: 0039	No. 03179/05/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
14 March 2019

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	1,559,856	1,478,719	61,225	102,900
Cost of sales	5	(1,089,189)	(1,014,862)	-	-
Gross profit		470,667	463,857	61,225	102,900
Other items of income					
Interest income	6	57,588	59,960	-	30
Other income	7	15,519	17,974	1	989
Other items of expense					
Administrative expenses		(262,670)	(244,808)	(12,727)	(18,242)
Other operating expenses		(2,965)	(1,476)	-	-
Tendering and marketing expenses		(2,018)	(1,739)	-	-
Finance costs	8	(125,602)	(97,709)	(19)	(25)
Zakat		(5,516)	(1,139)	-	-
Share of results of associates		7,112	3,178	-	-
Profit before tax	9	152,115	198,098	48,480	85,652
Income tax expense	12	(66,645)	(77,522)	(7)	(211)
Profit net of tax		85,470	120,576	48,473	85,441
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(2,094)	(5,642)	-	-
Share of other comprehensive loss of an associate		-	(3,438)	-	-
Remeasurement of defined benefit liability	29	-	2,763	-	-
Total other comprehensive loss		(2,094)	(6,317)	-	-
Total comprehensive income for the year		83,376	114,259	48,473	85,441

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit net of tax attributable to:					
Owners of the parent		42,308	72,352	48,473	85,441
Non-controlling interests		43,162	48,224	-	-
		85,470	120,576	48,473	85,441
Total comprehensive income attributable to:					
Owners of the parent		40,217	65,482	48,473	85,441
Non-controlling interests		43,159	48,777	-	-
		83,376	114,259	48,473	85,441

		Group 2018	Group 2017
Earnings per share attributable to owners of the parent - Basic and diluted, for the year (cents)	46	5	8

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	13	573,848	589,486	326	455
Service concession assets	14	661,061	-	-	-
Intangibles	15	295,025	294,209	-	-
Finance lease receivable	16	460,699	508,356	-	-
Deferred tax assets	17	130,366	167,664	-	-
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	155,223	172,176	-	-
Operating financial assets	21	43,756	63,597	-	-
Trade and other receivables	22	70,408	71,158	-	-
Contract assets	23	35,377	-	-	-
Other non-current asset	25	13,975	6,000	-	-
		2,439,743	1,872,651	1,195,331	1,195,460
Current assets					
Finance lease receivable	16	47,657	44,224	-	-
Operating financial assets	21	6,585	4,212	-	-
Trade and other receivables	22	249,352	276,917	115,534	139,202
Contract assets	23	32,823	-	-	-
Inventories	24	89,381	81,512	-	-
Tax recoverable		7,272	4,894	18	-
Other current assets	25	33,990	25,633	-	-
Other financial assets	27	72,894	11,442	-	-
Deposits, cash and bank balances	28	355,876	411,165	379	243
		895,830	859,999	115,931	139,445
Total assets		3,335,573	2,732,650	1,311,262	1,334,905

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current liabilities					
Retirement benefit obligations	29	15,829	10,729	-	-
Finance lease payables	30	1,014	1,454	231	106
Loans and borrowings	31	89,908	117,326	-	-
Zakat	32	8,093	9,526	-	-
Trade and other payables	33	260,275	362,127	16,662	17,608
Contract liability	23	23	-	-	-
Service concession obligations	34	333,822	-	-	-
Tax payable		501	2,197	-	-
		709,465	503,359	16,893	17,714
Net current assets		186,365	356,640	99,038	121,731
Non-current liabilities					
Retirement benefit obligations	29	72,561	77,396	-	-
Finance lease payables	30	1,935	2,868	61	292
Loans and borrowings	31	1,113,401	1,040,214	-	-
Trade and other payables	33	1,216	19,070	-	-
Service concession obligations	34	352,581	-	-	-
Consumer deposits	35	244,364	238,613	-	-
Deferred tax liabilities	17	83,299	72,987	-	-
		1,869,357	1,451,148	61	292
Total liabilities		2,578,822	1,954,507	16,954	18,006
Net assets		756,751	778,143	1,294,308	1,316,899
Equity attributable to owners of the parent					
Share capital	36	1,275,319	1,275,319	1,275,319	1,275,319
Share premium	37	-	-	-	-
Other reserves	38	(725,950)	(693,154)	18,989	41,580
		549,369	582,165	1,294,308	1,316,899
Non-controlling interests		207,382	195,978	-	-
Total equity		756,751	778,143	1,294,308	1,316,899
Total equity and liabilities		3,335,573	2,732,650	1,311,262	1,334,905

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 2018

	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 2018	1,275,319	-	13,641	1,063	(906,015)	198,157	582,165	195,978	778,143
Effect of adoption of new accounting standard (Note 2.2)	-	-	-	-	-	(1,949)	(1,949)	(487)	(2,436)
As at 1 January 2018 (restated)	1,275,319	-	13,641	1,063	(906,015)	196,208	580,216	195,491	775,707
Total comprehensive income	-	-	(2,094)	-	-	42,311	40,217	43,159	83,376
Unwinding on interest expense on CULS attributable to non-controlling interests	-	-	-	-	-	-	-	(218)	(218)
CULS interest paid to non-controlling interests	-	-	-	-	-	-	-	(1,450)	(1,450)
Dividends on ordinary shares (Note 39)	-	-	-	-	-	(71,064)	(71,064)	(29,600)	(100,664)
At 31 December 2018	1,275,319	-	11,547	1,063	(906,015)	167,455	549,369	207,382	756,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	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

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 2018

	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 2018	1,275,319	-	41,580	1,316,899
Total comprehensive income for the year	-	-	48,473	48,473
Transaction with owners				
Dividends on ordinary shares (Note 39)	-	-	(71,064)	(71,064)
At 31 December 2018	1,275,319	-	18,989	1,294,308
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

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before taxation	152,115	198,098	48,480	85,652
Adjustments for:				
Depreciation of property, plant and equipment	51,670	48,245	129	120
Net gain on disposal of property, plant and equipment	(94)	(144)	-	-
Property, plant and equipment written off	144	706	-	-
Amortisation of service concession asset	330,564	323,830	-	-
Amortisation of software	668	1,309	-	-
Amortisation of operating rights	37	64	-	-
Waiver of costs incurred in prior years	-	(5,253)	-	-
Share of results of associates	(7,112)	(3,178)	-	-
Provision for retirement benefit plan	9,166	8,604	-	-
Net bad debts written off	1,858	182	-	-
Zakat	5,516	1,139	-	-
Inventories written off	30	-	-	-
Gain on disposal of subsidiaries	-	(242)	-	-
Impairment on investment in an associate	18,451	-	-	-
Allowance for expected credit losses on: (Note 22)				
- Trade receivables	3,206	4,947	-	-
- Other receivables	3,500	-	-	-
Net unrealised foreign exchange loss	3,457	(686)	12	(51)
(Reversal)/Provision for liquidated ascertained damages	(759)	746	-	-
Dividend income	-	-	(61,225)	(102,900)
Interest income	(57,588)	(59,960)	-	(30)
Reversal of impairment of expected credit losses on:				
- Trade receivables	(3,541)	-	-	-
- Other receivables	-	(938)	-	(938)
Interest expense	125,602	97,709	19	25
Operating profit/(loss) before working capital changes carried forward	636,890	615,178	(12,585)	(18,122)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating profit/(loss) before working capital changes brought forward	636,890	615,178	(12,585)	(18,122)
Receivables	14,343	30,586	23,668	50,913
Payables	(134,730)	32,979	(958)	13,755
Inventories	(7,899)	(6,050)	-	-
Finance lease receivables	84,168	84,168	-	-
Operating financial assets	21,356	7,341	-	-
Contract assets	(101,940)	-	-	-
Contract liability	23	-	-	-
Other non-current and current assets	24,408	(8,633)	-	-
Cash generated from operations	536,619	755,569	10,125	46,546
Retirement benefits plan paid	(8,901)	(10,588)	-	-
Zakat paid	(6,949)	(312)	-	-
Tax paid	(23,596)	(21,927)	(25)	(199)
Repayments of lease rental payable to PAAB	(343,212)	(428,089)	-	-
Net cash generated from operating activities	153,961	294,653	10,100	46,347
Cash flows from investing activities				
Purchase of property, plant and equipment	(36,276)	(61,711)	-	(16)
Proceeds from disposal of property, plant and equipment	299	404	-	-
Net cash inflow on disposal of subsidiaries	-	815	-	-
(Placement)/Disposal of short term investments	(60,545)	2,733	-	-
Purchase of software	(1,521)	(373)	-	-
Addition of service concession asset	-	(23,791)	-	-
Dividend received	-	-	61,225	16,000
Interest received	11,408	12,215	-	30
Net cash (used in)/generated from investing activities	(86,635)	(69,708)	61,225	16,014

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities				
Withdrawal/(Placement) of fixed deposits with banking facilities	114,764	(94,640)	-	-
Finance lease principal repayments	(1,495)	(1,651)	(125)	(125)
Repayment of loans and borrowings	(604,207)	(96,788)	-	-
Drawdown of loans and borrowings	664,388	938	-	-
Dividends paid	(86,414)	(96,031)	(71,064)	(62,181)
Interest paid	(98,022)	(80,046)	-	-
Net cash used in financing activities	(10,986)	(368,218)	(71,189)	(62,306)
Net increase/(decrease) in cash and cash equivalents	56,340	(143,273)	136	55
Effect of exchange rate changes on cash and cash equivalents	3,135	(471)	-	-
Cash and cash equivalents at beginning of year	141,342	285,086	243	188
Cash and cash equivalents at year end (Note 28)	200,817	141,342	379	243
Plant and equipment were acquired by way of the following means:				
Cash	36,276	61,711	-	-
Finance lease	99	2,330	-	-
	36,375	64,041	-	-

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 2018

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 Ranhill SAJ, 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 14 March 2019.

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. Significant accounting policies (contd.)

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 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

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

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 15 Revenue from Contracts with Customers</u>

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 15 Revenue from Contracts with Customers (contd.)

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The adoption of MFRS 15 did not have material impact on the Group's statement of comprehensive income and statement of cash flows. The impact on the statement of financial position as at 1 January 2018 is as follows:

	Reference	MFRS 15 RM'000	Previous MFRS RM'000	(Decrease)/ increase RM'000
Assets				
Amount due from customers	(a)	-	(16,870)	(16,870)
Contract asset	(a)	16,870	-	16,870

(a) Construction contract revenue

Before the adoption of MFRS 15, construction contract revenue was recognised in accordance with MFRS 111 Construction Contracts, when the total 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. Under MFRS 15, such amount due from customer represents a right to consideration in exchange for goods or services transferred to the customer known as contract asset.

Therefore, upon adoption of MFRS 15, the Group reclassified RM16,870,000 from amount due from customers to contract asset as at 1 January 2018.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting MFRS 9 as at 1 January 2018 is, as follows:

	Adjustments	**1 January 2018** **RM'000**
Assets		
Trade receivables	(b)	(3,206)
Deferred tax assets	(c)	770
Total assets		(2,436)
Total adjustment to equity		
Retained earnings	(a),(b),(c)	(1,949)
Non-controlling interests	(c)	(487)
		(2,436)

The nature of these adjustments are described below:

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group’s and the Company's business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 9 Financial Instruments (contd.)

(a) Classification and measurement (contd.)

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and to the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. For trade and other receivables classified as loans and receivables as at 31 December 2017, these are classified and measured as debt instruments at amortised cost beginning 1 January 2018 as they are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

In summary, upon the adoption of MFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018.

		MFRS 9 measurement category Amortised cost
	RM'000	**RM'000**
Group		
MFRS 139 measurement category		
Loans and receivables		
Current		
Trade receivables*	182,841	179,635

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 9 Financial Instruments (contd.)

(a) Classification and measurement (contd.)

	RM'000	MFRS 9 measurement category Amortised cost RM'000
Group		
MFRS 139 measurement category		
Loans and receivables		
Current		
Other receivables and deposits	53,076	53,076
Contingent consideration receivable	6,209	6,209
Receivables from PAAB	15,728	15,728
Receivable from the State Government of Johor	16,764	16,764
Amount due from associates	2,255	2,255
Amount due from related parties	44	44
Non-current		
Refundable deposits	70,408	70,408
Retention sum on contracts	750	750
	348,075	344,869
Company		
MFRS 139 measurement category		
Loans and receivables		
Current		
Amount due from subsidiaries	139,202	139,202

* The change in carrying amount is a result of additional impairment allowance. Kindly refer to Note(b) below.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 9 Financial Instruments (contd.)

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of MFRS 9, the Group recognised additional impairment on the Group's trade receivables of RM3,206,000, which resulted in a decrease in retained earnings of RM2,436,000 (net of tax) as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9:

	Allowance for impairment under MFRS 139 as at 31 December 2017 RM'000	**Re-measurement RM'000**	**ECL under MFRS 9 as at 1 January 2018 RM'000**
Loans and receivables under MFRS 139/ Financial assets at amortised cost under MFRS 9	35,268	3,206	32,062

(c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes, and non-controlling interests were adjusted to retained earnings as necessary upon adoption of MFRS 9 as at 1 January 2018.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedging accounting requirements under this Standard are not relevant to the Group and the Company.

2. Significant accounting policies (contd.)

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 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 101 Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 3 Business Combinations (Amendments to MFRS 3)	1 January 2020
MFRS 108 Definition of Material (Amendments to MFRS 108)	1 January 2020
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:

MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

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.

The Group plans to adopt MFRS 16 prospectively, with an initial application date of 1 January 2019. The Group will not restate the comparative information, which continues to be reported under MFRS 117. Differences arising from the adoption of MFRS 16 will be recognised directly in retained earnings and other components of equity.

The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e. photocopying machines and water dispensers) and car park that are considered of low value.

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 16 Leases (contd.)

Based on initial assessment, the Group expects its non-cancellable operating lease commitments to be impacted by the new standard. The Group is also assessing if the use of water meter pipes and gas transfer pipelines are scoped in this new standard. The Group expects to complete its assessment by first quarter of 2019.

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 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in MFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying MFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associates or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The directors of the Company do not expect the amendments to have any impact on the Group's and the Company'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. Significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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.

2. Significant accounting policies (contd.)

2.4 Basis of consolidation

Business combination

(a) 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 9. 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 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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(a).

2. Significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combination (contd.)

(a) Acquisition method (contd.)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in MFRS 137 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

(b) Pooling of interest method

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

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

(ii) 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

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

2.5 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. Significant accounting policies (contd.)

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.

2. Significant accounting policies (contd.)

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. Significant accounting policies (contd.)

2.8 Transactions with non-controlling interests

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

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

2.9 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.

2. Significant accounting policies (contd.)

2.9 Foreign currency (contd.)

(b) Foreign currency transactions and balances (contd.)

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.

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

Foreign currency	**2018 RM**	**2017 RM**
1 United States Dollar ("USD")	4.14	4.06
1 Thai Baht ("THB")	0.13	0.12
1 Chinese Yuan Renminbi ("CNY")	0.60	0.62
1 Hong Kong Dollar ("HKD")	0.53	0.52

2. Significant accounting policies (contd.)

2.10 Intangible assets

(a) Goodwill

Goodwill is initially recorded at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but tested for impairment annually or more frequently when indications of impairment are identified.

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

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

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

(b) Service license

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

2. Significant accounting policies (contd.)

2.10 Intangible assets (contd.)

(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.

2. Significant accounting policies (contd.)

2.11 Property, plant and equipment (contd.)

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.

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. Significant accounting policies (contd.)

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.

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. Significant accounting policies (contd.)

2.13 Financial assets (contd.)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. Significant accounting policies (contd.)

2.13 Financial assets (contd.)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost ("debt instruments")
- Financial assets at fair value through OCI with recycling of cumulative gains and losses ("debt instruments")
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition ("equity instruments")
- Financial assets at fair value through profit or loss

The Group and the Company have no financial assets carried at fair value through OCI, for both debt and equity instruments.

(a) Financial assets at amortised cost ("debt instruments")

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s and the Company's financial assets at amortised cost includes trade receivables and other receivables included under other non-current financial assets.

2. Significant accounting policies (contd.)

2.13 Financial assets (contd.)

Subsequent measurement (contd.)

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Significant accounting policies (contd.)

2.13 Financial assets (contd.)

Derecognition (contd.)

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment of financial asset

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. The Group considers forward-looking factors do not have significant impact to its credit risk given the nature of its industry and the amount of ECLs is insensitive to changes to forecast economic conditions.

2. Significant accounting policies (contd.)

2.13 Financial assets (contd.)

Impairment of financial asset

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, if any.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. Significant accounting policies (contd.)

2.14 Financial liabilities (contd.)

Subsequent measurement (contd.)

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. Significant accounting policies (contd.)

2.15 Service concession contracts

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

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

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

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

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

Intangible asset model

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

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

Under the intangible asset model, revenue includes:

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

- operating revenue of the infrastructure.

2. Significant accounting policies (contd.)

2.15 Service concession contracts (contd.)

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.

2. Significant accounting policies (contd.)

2.16 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.

2.17 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.

2.18 Cash and cash equivalents

For the purposes of presentation in the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances, deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts and other restricted balances. Bank overdrafts are shown within the borrowings in current liabilities in the balance sheet.

2. Significant accounting policies (contd.)

2.19 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment benefits

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

(i) Defined contribution plan

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

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

The Group's contributions to a defined contribution plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plan

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

2. Significant accounting policies (contd.)

2.19 Employee benefits (contd.)

(b) Post-employment benefits (contd.)

(ii) Defined benefit plan (contd.)

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.

2.20 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.

2. Significant accounting policies (contd.)

2.20 Leases (contd.)

(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 2.26(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.

2.21 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. Significant accounting policies (contd.)

2.22 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

2. Significant accounting policies (contd.)

2.22 Income tax (contd.)

(b) Deferred tax (contd.)

- 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.

(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.

2. Significant accounting policies (contd.)

2.22 Income tax (contd.)

(c) Sales Tax (contd.)

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.

2.23 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 2.14.

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.

2.24 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.

2.25 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.

2. Significant accounting policies (contd.)

2.25 Zakat (contd.)

Zakat rates enacted or substantively enacted by the reporting date are used to determine the zakat expense. The rate of zakat on business, as determined by the National Fatwa Council for is 2.5% on the zakat base. The zakat base of the Group is determined based on net current assets, adjusted for items that do not meet the conditions for zakat assets and liabilities.

2.26 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(c) Determine the transaction price

The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. Significant accounting policies (contd.)

2.26 Revenue from contracts with customers (contd.)

(c) Determine the transaction price (contd.)

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance obligation completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

2. Significant accounting policies (contd.)

2.26 Revenue from contracts with customers (contd.)

The following describes the performance obligation in contracts with customers:

(a) Water revenue

Water revenue is recognised at the point in time when the treated water is discharged through the reading meters installed, i.e. when control of the asset is transferred to the customer, generally at the point in time at which the customer consumes the water. Water revenue includes an estimated value of the water consumed by customers from the date of their last meter reading and period end. Accrued unbilled revenues are reversed in the following month when actual billings occur.

Payment is generally due within 30 to 90 days upon delivery. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due and associated costs.

(b) Sale of electricity

The sale of electricity is separately identifiable within the Power Purchase Agreements and is recognised upon delivery of electricity. 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.

(c) Rental income

Rental income is generated from operating lease of the Group's power station. It is accounted for under MFRS 117 Leases i.e. 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. Therefore it is not within the scope of MFRS 15.

(d) Contribution by housing developers

Contribution by housing developers is recognised as income at the point in time in accordance with the respective commercial agreements.

2. Significant accounting policies (contd.)

2.26 Revenue from contracts with customers (contd.)

(e) Non Revenue water reduction income

Non Revenue Water ("NRW") reduction income is generated from management consultancy services relating to water-related projects to water operators and businesses. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from one to two years.

The Group has enforceable right to payment for performance completed to-date and therefore, the Group recognises revenue over time by measuring its progress towards complete satisfaction of that performance obligation.

(f) Special works and services

Revenue on special works and services is generated from repair works, reconnection fees and other related works charged to consumers. The Group recognises revenue at a point in time upon performance of services.

(g) Sale of equipment

Revenue from sale of equipment is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery on equipment.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(h) Construction contract revenue

For construction contracts, the Group is responsible for overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation, installation of equipment and testing and commissioning relating to water treatment plants. In such contracts, the Group provides significant integration service and will generally account for them as a single performance obligation. Revenue is recognised over time as it has enforceable right to payment for performance completed to-date.

The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

2. Significant accounting policies (contd.)

2.26 Revenue from contracts with customers (contd.)

(i) Operation and maintenance revenue

The Group constructs or upgrades an existing infrastructure to provide services to operate and maintain the infrastructure (operation services) for a specified period of time. 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.

(j) Technical and management services

Revenue from providing technical and management services is recognised at a point in time when services are rendered.

(k) Dividend income

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

<u>Other item of income</u>

(a) Interest income

Interest income is recognised using effective interest method.

2.27 Contract balances

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(b) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2. Significant accounting policies (contd.)

2.28 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 43.

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.

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

2. Significant accounting policies (contd.)

2.28 Fair value measurement (contd.)

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.

2.29 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current

- 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. Significant accounting policies (contd.)

2.30 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 49, 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.

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.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(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 estimates the expected future cash flows from the asset or cash-generating unit and determines 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.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(e) Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. Information about the ECLs on the Group's financial assets at amortised cost 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 29.

(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 23.

4. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Water revenue	1,120,630	1,060,814	-	-
Sale of electricity	200,058	192,341	-	-
Rental income from operating lease of power station	109,305	116,928	-	-
Contribution by housing developers	60,299	60,281	-	-
Non-revenue water reduction fees	4,784	13,258	-	-
Construction contract revenue	42,470	7,828	-	-
Operation and maintenance revenue	11,494	14,193	-	-
Special works	10,687	10,861	-	-
Sale of equipment	1	1,585	-	-
Technical and management services	128	630	-	-
Dividend income	-	-	61,225	102,900
	1,559,856	1,478,719	61,225	102,900

5. Cost of sales

	Group	
	2018 RM'000	2017 RM'000
Water and its related costs	829,848	762,736
Power and its related costs	216,943	223,219
Construction contract costs	31,297	13,964
Operation and maintenance costs	9,349	10,733
Cost of equipment	20	779
Consultancy cost	1,732	3,431
	1,089,189	1,014,862

6. Interest income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income:				
- Finance lease income (Note 16)	39,944	43,130	-	-
- Fixed deposits	11,408	11,711	-	30
- Finance income from operating financial assets	3,888	3,903	-	-
- Islamic Money Market fund	907	504	-	-
- Financial assets at amortised cost	1,441	712	-	-
	57,588	59,960	-	30

7. Other income

Included in other income are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unrealised foreign exchange gain	-	686	-	51
Realised foreign exchange gain	4,636	2,380	-	-
Gain on disposal of property, plant and equipment	94	144	-	-
Rental income	1,681	1,649	-	-
Claim from customer	2,326	2,220	-	-
Reversal for impairment on other receivables (Note 22)	-	938	-	938
Gain on disposal of a subsidiary (Note 18(b))	-	242	-	-
Waiver of costs incurred in prior years	-	5,253	-	-
Reversal of expected credit losses on trade receivables (Note 22)	3,541	-	-	-
Miscellaneous income	1,813	1,200	-	-

8. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sukuk Musharakah	4,425	43,661	-	-
Sukuk Murabahah	37,444	-	-	-
Musharakah Medium Term Notes ("mMTN")	35,219	37,640	-	-
Unwinding of interest of service concession obligations	40,366	9,451	-	-
Term loans	978	927	-	-
Bank overdrafts	126	190	-	-
Bankers' acceptance	-	44	-	-
Unwinding of discount on payables	83	5,424	-	-
Finance leases	23	37	19	25
Guarantee fees	6,900	-	-	-
Others	38	335	-	-
	125,602	97,709	19	25

9. Profit before tax

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration				
- Statutory audit				
- Current year	1,490	1,443	105	98
- Underprovision in prior year	8	165	-	19
- Others	221	155	-	-
Amortisation of service concession assets (Note 14)	330,564	323,830	-	-
Amortisation of software (Note 15)	668	1,309	-	-
Amortisation of operating rights (Note 15)	37	64	-	-
Depreciation of property, plant and equipment (Note 13)	51,670	48,245	129	120
Employee benefits expense (Note 10)	208,714	225,677	-	-
Directors' remuneration (Note 11)	17,734	16,489	7,129	9,644
Bad debts written off	1,858	182	-	-

9. Profit before tax

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment of investment in an associate (Note 20)	18,451	-	-	-
Allowance for expected credit losses on: (Note 22)				
- Trade receivables	3,206	4,947	-	-
- Other receivables	3,500	-	-	-
Operating lease rentals:				
- Land and buildings	1,118	2,601	-	-
- Motor vehicles and equipment	610	765	-	-
- Parking	-	22	-	-
Property, plant and equipment written off (Note 13)	144	706	-	-
Reversal of provision for liquidated ascertained damages	(759)	746	-	-
Inventories written off	30	-	-	-
Net unrealised foreign exchange loss	3,457	-	12	-
Net realised foreign exchange loss	95	-	-	-

10. Employee benefits expense

	Group	
	2018 RM'000	2017 RM'000
Wages, salaries and bonus	136,065	149,059
Employee allowances	28,601	27,567
Defined contribution plan	17,256	19,124
Defined benefit retirement plan (Note 29)	9,166	8,604
Other staff related expenses	17,626	21,323
	208,714	225,677

11. Directors' remunerations

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company:				
Non-executive directors:				
Fees	1,513	1,322	1,246	1,322
Other emoluments	194	259	194	259
	1,707	1,581	1,440	1,581
Executive directors:				
Fees	218	211	-	-
Salaries and bonus	6,455	8,781	4,374	6,816
Defined contribution plan	450	457	314	328
Other emoluments	1,046	1,048	864	864
Benefits-in-kind	137	55	137	55
	8,306	10,552	5,689	8,063
Other directors of the Group:				
Fees	2,725	1,343	-	-
Salaries and bonus	4,259	2,581	-	-
Defined contribution plan	396	218	-	-
Other emoluments	237	89	-	-
Benefits-in-kind	104	125	-	-
	7,721	4,356	-	-
Total	17,734	16,489	7,129	9,644

12. Income tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income tax				
Current income tax:				
- Malaysian income tax	19,492	21,569	7	11
- Foreign income tax	51	73	-	-
- Overprovision in prior year	(1,305)	(128)	-	200
	18,238	21,514	7	211
Deferred tax: (Note 17)				
- Origination and reversal of deferred tax	46,456	55,445	-	-
- Underprovision in prior year	1,951	563	-	-
	48,407	56,008	-	-
Income tax expense	66,645	77,522	7	211

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2017: 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	152,115	198,098	48,480	85,652
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	36,508	47,544	11,635	20,556
Different tax rates in other countries	(54)	(15)	-	-
Expenses not deductible for tax purposes	31,259	26,617	3,066	4,185
Income not subject to tax	(1,361)	(1,612)	(14,694)	(24,730)
Deferred tax recognised at different tax rate	(462)	258	-	-
Deferred tax asset not recognised	109	4,295	-	-
Underprovision of deferred tax in prior year	1,951	563	-	-
Overprovision of income tax in prior year	(1,305)	(128)	-	200
	66,645	77,522	7	211

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 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

13. Property, plant and equipment (contd.)

	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 (contd.)									
Cost:									
At 1 January 2018	184,519	6,622	189,665	54,507	6,999	675,358	47,880	56,736	1,222,286
Additions	10,619	-	3,640	199	-	-	-	21,917	36,375
Disposals	-	-	(225)	(672)	-	-	-	-	(897)
Transfer	50,707	11	7,832	551	-	-	-	(59,101)	-
Written off	(41)	-	(1,551)	(29)	-	-	-	-	(1,621)
Exchange differences	-	-	37	-	-	-	-	-	37
At 31 December 2018	245,804	6,633	199,398	54,556	6,999	675,358	47,880	19,552	1,256,180

13. Property, plant and equipment (contd.)

Group (contd.)	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
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

13. Property, plant and equipment (contd.)

	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 (contd.)									
Accumulated depreciation:									
At 1 January 2018	109,758	1,074	174,553	41,312	2,800	271,219	32,084	-	632,800
Charge for the year (Note 9)	24,280	160	5,461	4,891	140	16,127	611	-	51,670
Disposals	-	-	(193)	(499)	-	-	-	-	(692)
Written off	(22)	-	(1,426)	(29)	-	-	-	-	(1,477)
Exchange differences	-	-	31	-	-	-	-	-	31
At 31 December 2018	134,016	1,234	178,426	45,675	2,940	287,346	32,695	-	682,332

13. Property, plant and equipment (contd.)

	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 (contd.)									
Net carrying amount:									
At 31 December 2017	74,761	5,548	15,112	13,195	4,199	404,139	15,796	56,736	589,486
At 31 December 2018	111,788	5,399	20,972	8,881	4,059	388,012	15,185	19,552	573,848

13. Property, plant and equipment (contd.)

	Office equipment RM'000	Motor vehicle RM'000	Total RM'000
Company			
Cost:			
At 1 January 2017	3	627	630
Additions	16	-	16
At 31 December 2017	19	627	646
At 1 January/31 December 2018	19	627	646
Accumulated depreciation:			
At 1 January 2017	-	71	71
Charge for the year (Note 9)	3	117	120
At 31 December 2017	3	188	191
At 1 January/31 December 2018	3	188	191
Charge for the year (Note 9)	4	125	129
At 31 December 2018	7	313	320
Net carrying amount:			
At 31 December 2017	16	439	455
At 31 December 2018	12	314	326

Assets held under finance leases

During the current financial year, the Group acquired motor vehicles with an aggregate cost of RM199,000 (2017: RM2,931,000) of which RM99,000 (2017: RM2,330,000) 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 2018 was RM2,363,000 (2017: RM4,007,000) and RM314,000 (2017: RM439,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 30).

13. Property, plant and equipment (contd.)

Assets pledged as security

In addition to assets held under finance lease, certain Group's property, plant and equipment amounting to RM503,000 (2017: RM855,000) are pledged as security to financial institutions as security for loans and borrowings, as disclosed in Note 31.

14. Service concession assets

	Group	
	2018 RM'000	2017 RM'000
Cost		
At beginning of the year	-	900,119
Additions	991,625	23,791
Less: Completed operating period	-	(923,910)
At end of the year	991,625	-
Accumulated amortisation		
At beginning of the year	-	600,080
Amortisation charge for the financial year (Note 9)	330,564	323,830
Less: Completed operating period	-	(923,910)
At end of the year	330,564	-
Net carrying amount	661,061	-

Service concession assets comprise assets resulting from the application of accounting policy as disclosed in Note 2.15 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.

14. Service concession assets (contd.)

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

On 11 March 2009, a subsidiary of the Group, Ranhill SAJ Sdn. Bhd. ("RanhillSaj") (formerly known as SAJ Ranhill Sdn. Bhd.) migrated to the licensing regime for water supply services in the State of Johor via a Master Agreement executed with relevant parties. RanhillSaj 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 RanhillSaj.

Under the new licensing regime, RanhillSaj 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.

RanhillSaj’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 (to be consistent with the change in financial year end from June to December) and then three years from 1 January 2015 until 31 December 2017. RanhillSaj is currently in its fourth operating period with an approved license for a period of three years from 1 January 2018 to 31 December 2020.

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

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

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

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

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

14. Service concession assets (contd.)

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

15. Intangibles

	Group	
	2018 RM'000	**2017 RM'000**
Goodwill	11,165	11,165
Service license	282,356	282,356
Software	1,504	651
Operating rights	-	37
	295,025	294,209

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

Impairment test of service license and goodwill

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

15. Intangibles (contd.)

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

	Water services	
	2018 %	2017 %
Growth rate [i]	1.5	1.5
Pre-tax discount rate [ii]	14.0	14.0

[i] Industry growth rate used to extrapolate cash flows beyond the projection period

[ii] Pre-tax discount rate applied to cash flows projections

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

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	
	2018 RM'000	2017 RM'000
Cost		
At beginning of the year	3,383	3,397
Exchange differences	82	(14)
At end of the year	3,465	3,383
Accumulated amortisation		
At beginning of the year	3,346	3,298
Amortisation charge for the year (Note 9)	37	64
Exchange differences	82	(16)
At end of the year	3,465	3,346
Net carrying amount	-	37

15. Intangibles (contd.)

Software

	Group	
	2018	**2017**
	RM'000	**RM'000**
Cost		
At beginning of the year	13,366	12,993
Addition during the year	1,521	373
Exchange differences	1	-
At end of the year	14,888	13,366
Accumulated amortisation		
At beginning of the year	12,715	11,406
Amortisation charge for the year (Note 9)	668	1,309
Exchange differences	1	-
At end of the year	13,384	12,715
Net carrying amount	1,504	651

16. Finance lease receivable

	Group	
	2018	**2017**
	RM'000	**RM'000**
At beginning of the year	552,580	593,618
Repayments	(84,168)	(84,168)
Finance lease income (Note 6)	39,944	43,130
At end of the year	508,356	552,580

16. Finance lease receivable (contd.)

	Group 2018 RM'000	2017 RM'000
The finance lease receivable is further analysed as follows:		
Gross amounts receivable	741,615	825,783
Less: Unearned finance interest income	(233,259)	(273,203)
Finance lease receivable	508,356	552,580
Analysed into:		
Current	47,657	44,224
Non-current	460,699	508,356
	508,356	552,580
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	320,776	404,944
Total minimum lease payments receivable	741,615	825,783
Less: Unearned finance interest income	(233,259)	(273,203)
	508,356	552,580
Present value of payments receivable:		
Not later than 1 year	47,657	44,224
Later than 1 year but not later than 2 years	51,357	47,657
Later than 2 years but not later than 5 years	150,436	166,341
Later than 5 years	258,906	294,358
Present value of minimum lease payments receivable	508,356	552,580

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

17. Deferred taxation

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

	Deferred tax assets						
Group	**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**
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
At 1 January 2018	13,888	143,914	100,279	9,530	36,157	23,914	327,682
Effect of adoption of new accounting standards (Note 2.2)	-	-	-	-	-	770	770
At 1 January 2018 (restated)	13,888	143,914	100,279	9,530	36,157	24,684	328,452
Recognised in profit and loss	(12,767)	(18,130)	(13,012)	(1,673)	(729)	(14,341)	(60,652)
Exchange differences	-	-	-	101	-	-	101
At 31 December 2018	1,121	125,784	87,267	7,958	35,428	10,343	267,901

17. Deferred taxation (contd.)

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

	Deferred tax liabilities				
	Property, plant and equipment RM'000	Convertible unsecured loan stocks RM'000	Finance lease receivables RM'000	Others RM'000	Total RM'000
Group					
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)
At 1 January 2018	(100,084)	(200)	(132,620)		(232,904)
Recognised in profit and loss	2,287	131	10,614	(787)	12,245
Exchange differences	(74)	-	-	-	(74)
At 31 December 2018	(97,871)	(69)	(122,006)	(787)	(220,733)

17. Deferred taxation (contd.)

In determining the amount of deferred tax to be recognised in relation to the unutilised investment allowance of the Group, the related subsidiary, Ranhill Powertron II Sdn. Bhd. (“RanhillPower II") had considered its projected taxable profits up to the end of the concession period in year 2032 under the Power Purchase Agreement (“PPA”) and its terms and conditions therein.

During the year, the new Finance Act 2018 which comes into effect on 26 December 2018, introduces a 7-Year Limitation on carry forward of unabsorbed business losses, unutilised reinvestment and investment allowances. Such ruling implies that RanhillPower II can only utilise its unutilised investment allowance against any taxable profit up to year 2026, requiring a potential reversal of deferred tax asset to the income statement of RM57,702,000. RanhillPower II, through its tax consultant, has since appealed to the Ministry of Finance (“MoF”) to allow RanhillPower II to utilise the investment allowance up to the end of the concession period in year 2032. The appeal is currently under assessment and consideration by the MoF.

Management has consulted its solicitors who have advised that, based on the facts and circumstances of the approval of the investment allowance to RanhillPower II in prior years, it is reasonable for RanhillPower II to place reliance on such approval and continue with the utilisation of the investment allowance in full in accordance with its terms therein. Management, after consultation with the solicitors, is of the opinion that it is likely that the appeal will be successful.

Management evaluates its uncertain tax position in respect of the above item and determines that they meet the more likely than not threshold to continue recognising the deferred tax asset relating to unutilised investment allowance up to year 2032.

Presented after appropriate offsetting as follows:

	Group	
	2018 RM'000	2017 RM'000
Deferred tax assets	130,366	167,664
Deferred tax liabilities	(83,299)	(72,987)
	47,067	94,677

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

	Group	
	2018 RM'000	2017 RM'000
Unutilised investment allowances	192,654	192,654
Unutilised business losses	8,204	7,848
Others	22,967	22,868
	223,825	223,370

18. Investment in a subsidiary

	Company	
	2018 RM'000	2017 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 a subsidiary in the previous financial year

On 6 April 2017, a wholly-owned subsidiary of the Company, Ranhill Capital Sdn. Bhd. ("RCSB") has entered into a Shares Sale and Purchase Agreements ("SSPAs") (including a supplemental 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.

As at 31 December 2018, the conditions precedent could not be met and accordingly the SSPAs were cancelled.

(b) Disposal of a subsidiary in the previous 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.

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

18. Investment in a subsidiary (contd.)

(b) Disposal of a subsidiary in the previous financial year (contd.)

	At the date of disposal RM'000
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 was 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

18. Investment in a subsidiary (contd.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^ 2018	% of ownership interest held by the Group^ 2017	% of ownership interest held by non-controlling interests^ 2018	% of ownership interest held by non-controlling interests^ 2017
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

18. Investment in a subsidiary (contd.)

(c) Details of the Group's subsidiaries are as follows: (contd.)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^ 2018	% of ownership interest held by the Group^ 2017	% of ownership interest held by non-controlling interests^ 2018	% of ownership interest held by non-controlling interests^ 2017
Held by Ranhill Capital Sdn. Bhd. (contd.)						
Ranhill Power II O&M Sdn. Bhd. [1]	Malaysia	Provision of operation and maintenance services for power plants station.	80	80	20	20
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]	Malaysia	Investment holding (dormant).	100	100	-	-
Ranhill SAJ Sdn. Bhd. [1] (formerly known as SAJ Ranhill Sdn. Bhd.)	Malaysia	Abstraction of raw water, treatment of water, distribution and sale of treated water to consumers in the State of Johor pursuant to its migration from services concession arrangement to operating services arrangement.	80	80	20	20
Ranhill Water Services Sdn. Bhd. [1]	Malaysia	Providing and carrying on project management consultancy services relating to both domestic and overseas water-related projects.	100	100	-	-

18. Investment in a subsidiary (contd.)

(c) Details of the Group's subsidiaries are as follows: (contd.)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^		% of ownership interest held by non-controlling interests^	
			2018	2017	2018	2017
Held by Ranhill Capital Sdn. Bhd. (contd.)						
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 (dormant).	100	100	-	-
Ranhill Water Transfer Sdn. Bhd. [1]	Malaysia	Investment holding (dormant).	100	100	-	-
Ranhill Watertech Solutions Sdn. Bhd. [1]	Malaysia	Investment holding (dormant).	100	100	-	-
SAJ Capital Sdn. Bhd. [1]	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	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

18. Investment in a subsidiary (contd.)

(c) Details of the Group's subsidiaries are as follows: (contd.)

Name	**Country of incorporation**	**Principal activities**	**% of ownership interest held by the Group^**		**% of ownership interest held by non-controlling interests^**	
			2018	**2017**	**2018**	**2017**
Held by Ranhill Capital Sdn. Bhd. (contd.)						
Ranhill International Pte. Ltd. [1,3]	Singapore	Investment holding (dormant).	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	-	-
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	-	-

18. Investment in a subsidiary (contd.)

(c) Details of the Group's subsidiaries are as follows: (contd.)

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group^		% of ownership interest held by non-controlling interests^	
			2018	2017	2018	2017
Held by Ranhill Water Technologies Sdn. Bhd.						
KWI (Guangzhou) Environmental Engineering Technology Co. Ltd. [2]	China	Ceased operations.	51	51	49	49
Held by Ranhill Water Technologies Sdn. Bhd. (contd.)						
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] Incorporated during the year with share capital of SGD2.00

18. Investment in a subsidiary (contd.)

(d) Summarised financial information of Ranhill Powertron Sdn. Bhd. ("RanhillPower I"), Ranhill Powertron II Sdn. Bhd. ("RanhillPower II"), and Ranhill SAJ Sdn. Bhd. ("RanhillSaj") (formerly known as SAJ Ranhill Sdn. Bhd.) which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of Ranhill Power O&M Sdn. Bhd. ("RPOMI") and Ranhill Power II O&M Sdn. Bhd. ("RPOMII") are not material to the Group.

(i) Summarised statements of financial position:

	RanhillPower I RM'000	RanhillPower II RM'000	RanhillSaj RM'000	Total RM'000
As at 31 December 2018				
Non-current assets	409,602	487,909	1,032,872	1,930,383
Current assets	128,959	230,614	391,738	751,311
Total assets	538,561	718,523	1,424,610	2,681,694
Current liabilities	65,876	82,693	625,867	774,436
Non-current liabilities	109,649	494,923	669,506	1,274,078
Total liabilities	175,525	577,616	1,295,373	2,048,514
Equity attributable to owners of the Company	217,822	112,242	97,573	427,637
Non-controlling interest	145,214	28,665	31,663	205,542
Net assets	363,036	140,907	129,236	633,179
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 interest	131,273	28,267	29,005	188,545
Net assets	328,183	141,337	145,025	614,545

18. Investment in a subsidiary (contd.)

(d) (ii) Summarised statements of comprehensive income:

For the year ended 31 December 2018	RanhillPower I RM'000	RanhillPower II RM'000	RanhillSaj RM'000	Total RM'000
Revenue	202,992	106,371	1,191,616	1,500,979
Profit/(loss) for the year	40,853	(429)	116,648	157,072
Profit/(loss) attributable to owners of the Company	22,844	(343)	93,318	115,819
Profit/(loss) attributable to the non-controlling interests	18,008	(86)	23,330	41,252
Profit/(loss) for the year representing total comprehensive income	40,852	(429)	116,648	157,071
Total comprehensive income/(loss) attributable to owners of the Company	22,844	(343)	93,318	115,819
Total comprehensive income/(loss) attributable to non-controlling interests	18,008	(86)	23,330	41,252
	40,852	(429)	116,648	157,071

18. Investment in a subsidiary (contd.)

(d) (ii) Summarised statements of comprehensive income (contd.):

	RanhillPower I RM'000	**RanhillPower II RM'000**	**RanhillSaj 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

18. Investment in a subsidiary (contd.)

(d) (iii) Summarised statements of cash flows:

	RanhillPower I **RM'000**	**RanhillPower II** **RM'000**	**RanhillSaj** **RM'000**	**Total** **RM'000**
For the year ended 31 December 2018				
Net cash generated from/(used in) operating activities	57,634	(12,928)	584,487	629,193
Net cash generated from/(used in) investing activities	579	83,628	(99,920)	(15,713)
Net cash used in financing activities	(58,682)	(84,507)	(401,962)	(545,151)
Net (decrease)/ increase in cash and cash equivalents	(469)	(13,807)	82,605	68,329
Cash and cash equivalents at beginning of the year	24,652	13,807	75,881	114,340
Cash and cash equivalents at end of the year	24,183	-	158,486	182,669

18. Investment in a subsidiary (contd.)

(d) (iii) Summarised statements of cash flows (contd.):

	RanhillPower I RM'000	RanhillPower II RM'000	RanhillSaj 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

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		Nature of relationship	Accounting model applied
		2018	2017		
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	
	2018 RM'000	**2017 RM'000**
Unquoted shares, at cost	96,720	96,720
Add: Share of post acquisition reserves	5,775	(1,360)
	102,495	95,360
Less: Impairment (Note 9)	(18,451)	-
Exchange differences	(5,235)	(2,530)
Amount due from an associate	76,414	79,346
	155,223	172,176

During the year, the Group fully impaired its investment in Tawau Green Energy Sdn. Bhd. ("TGE") as a result of the cancellation of the Renewable Energy Purchase Power Agreement initially awarded to TGE as announced by the Ministry of Energy, Science, Technology, Environment and Climate Change in August 2018.

The amount due from an associate represents advances to the associate which is unsecured, interest-free and is not expected to be repayable within the next 12 months.

20. Investment in associates (contd.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group		Accounting model applied
			2018	2017	
Held by Ranhill Capital Sdn. Bhd.					
Tawau Green Energy Sdn. Bhd. [1]	Malaysia	To develop, construct and maintain a geothermal power plant.	26.7	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

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20. Investment in associates (contd.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2018	% of ownership interest held by the Group 2017	
Held by Ranhill Water (Hong Kong) Ltd.					
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
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

20. Investment in associates (contd.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group		Accounting model applied
			2018	2017	
Held by Ranhill Water (Hong Kong) Ltd. (contd.)					
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
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

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for the financial year ended 31 December 2018

20. Investment in associates (contd.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the Group 2018	2017	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

20. Investment in associates (contd.)

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

(i) Summarised statement of financial position

	2018 RM'000	2017 RM'000
Non-current assets	522,991	386,305
Cash and bank balances	17,228	30,887
Other current assets	87,712	113,187
Total current assets	104,940	144,074
Total assets	627,931	530,379
Non-current liabilities	(157,983)	(80,969)
Current liabilities	(273,243)	(263,983)
Total liabilities	(431,226)	(344,952)
Net assets	196,705	185,427

Summarised statement of comprehensive income

	2018 RM'000	2017 RM'000
Revenue	121,071	82,815
Profit before tax	24,542	7,336
Tax (expense)/credit	(6,184)	609
Profit after tax	18,358	7,945
Other comprehensive loss	-	(8,595)
Total comprehensive profit/(loss) for the year	18,358	(650)

20. Investment in associates (contd.)

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

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

	2018 RM'000	2017 RM'000
Net assets	185,427	189,887
Profit/(loss) for the year	18,358	7,945
Other comprehensive loss	-	(8,595)
Exchange differences	(6,762)	(3,810)
Net assets as at 31 December	197,023	185,427
Interest in an associate	40%	40%
	78,809	74,171
Add: Amount due from an associate	76,414	79,346
Carrying value of Group's interest in an associate	155,223	153,517

21. Operating financial assets

Operating financial assets comprise financial assets in accordance with accounting policies for concession contracts as described in Note 2.15.

	Group	
	2018 RM'000	2017 RM'000
Current	6,585	4,212
Non-current	43,756	63,597
	50,341	67,809

21. Operating financial assets (contd.)

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

	Group	
	2018 RM'000	2017 RM'000
At beginning of year	67,809	71,511
Additions	25,360	3,903
Repayments	(7,222)	(7,341)
Transfer to contract assets	(37,629)	-
Exchange differences	2,023	(264)
At end of year	50,341	67,809

Operating financial assets amounting to RM45,072,000 (2017: RM46,313,000) is charged for loans and borrowings as disclosed in Note 31.

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 in Thailand. 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.

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for the financial year ended 31 December 2018

22. Trade and other receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade				
Third parties (Note a)	217,406	206,672	-	-
Amounts due from associates (Note c)	-	9,809	-	-
Retention sum on contracts	1,229	1,628	-	-
	218,635	218,109	-	-
Less: Allowance for expected credit losses (Note a)	(34,933)	(35,268)	-	-
Trade receivables, net	183,702	182,841	-	-
Non-trade				
Other receivables and deposits	32,687	53,076	-	-
Contingent consideration receivable	-	6,209	-	-
Receivables from PAAB (Note b)	25,659	15,728	-	-
Receivable from the State Government of Johor	9,542	16,764	-	-
Amount due from subsidiaries (Note c)	-	-	115,534	139,202
Amounts due from associates (Note c)	1,262	2,255	-	-
Amounts due from related parties (Note c)	-	44	-	-
	69,150	94,076	115,534	139,202
Less: Allowance for expected credit losses (Note d)	(3,500)	-	-	-
Non-trade receivables, net	65,650	94,076	115,534	139,202
Total current receivables	249,352	276,917	115,534	139,202

22. Trade and other receivables (contd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Non-trade				
Refundable deposits (Note 35)	70,408	70,408	-	-
Retention sum on contracts	-	750	-	-
	70,408	71,158	-	-
Total trade and other receivables	319,760	348,075	115,534	139,202
Add: Cash and bank balances (Note 28)	355,876	411,165	379	243
Total debt instruments at amortised cost/loan and receivables	675,636	759,240	115,913	139,445

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2017: 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	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	148,723	135,010
1 to 30 days past due not impaired	23,075	17,308
31 to 60 days past due not impaired	2,838	4,367
61 to 90 days past due not impaired	2,004	3,001
91 to 120 days past due not impaired	1,455	9,102
More than 121 days past due not impaired	5,607	14,053
	34,979	47,831
Impaired	34,933	35,268
	218,635	218,109

22. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

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 in prior year

The Group has trade receivables amounting to RM34,979,000 as at 31 December 2018 (2017:RM47,831,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

Allowance for expected credit losses

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for expected credit losses of trade receivables are as follows:

	Group	
	2018 RM'000	2017 RM'000
Trade receivables		
- nominal amounts	218,635	206,672
Less: Allowance for expected credit losses	(34,933)	(35,268)
	183,702	171,404

Movement in allowance accounts:

	Group	
	2018 RM'000	2017 RM'000
At beginning of financial year	35,268	30,321
Charge for the year (Note 9)	3,206	4,947
Reversal of allowance for expected credit losses (Note 7)	(3,541)	-
At end of financial year	34,933	35,268

22. Trade and other receivables (contd.)

(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.

(d) Other receivables that are impaired

Movement in allowance accounts:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of financial year	-	2,256	-	2,256
Charge for the year (Note 9)	3,500	-	-	-
Written off	-	(1,318)	-	(1,318)
Reversal of impairment loss (Note 7)	-	(938)	-	(938)
At end of financial year	3,500	-	-	-

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	315,318	329,640	115,534	139,202
Chinese Renminbi	7	16,352	-	-
Thai Baht	3,955	1,638	-	-
US Dollar	450	442	-	-
Singapore Dollar	30	-	-	-
Hong Kong Dollar	-	3	-	-
	319,760	348,075	115,534	139,202

23. Contract balances

	Group	
	2018 RM'000	2017 RM'000
Non-current asset		
Contract asset (Note 22)	35,377	-
Current asset		
Contract asset (Note 22)	32,823	-
Current liability		
Contract liability (Note 33)	23	-

Contract asset is initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on succesful completion of construction. Upon completion of construction, the amounts recognised as contract asset are reclassified to trade receivables. The significant increase in contract asset in 2018 is the result of the increase in ongoing construction progress at the end of the year.

Contract liability is initially recognised when the Group receives consideration for an amount of consideration is due before the completion of construction. Contract liability is recognised as revenue when the Group performed under the contract.

24. Inventories

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Consumables	66,591	61,255
Distillates	16,373	12,848
Raw materials	-	149
Tools and equipment	1	183
	82,965	74,435
At net realisable value:		
Water pipes	3,771	4,166
Water meters	2,645	2,911
	6,416	7,077
	89,381	81,512

25. Other non-current and current assets

	Group	
	2018 RM'000	2017 RM'000
Non-current		
Prepayments	13,975	6,000
Current		
Prepayments	33,990	8,763
Due from customers on contracts (Note 26)	-	16,870
	33,990	25,633

26. Due from/(to) customers on contracts

	Group	
	2018 RM'000	2017 RM'000
Contract costs incurred to date	-	297,197
Recognised profits	-	82,866
	-	380,063
Less: Progress billings	-	(363,193)
	-	16,870
Due from customers on contracts	-	16,870

27. Other financial assets

	2018		2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial assets at fair value through profit or loss				
Short term investments:				
- Islamic managed funds*	67,082	67,082	7,695	7,695
- Deposits with other financial institution	5,059	5,059	3,747	3,747
- Listed equity investment	753	753	-	-
	72,894	72,894	11,442	11,442

27. Other financial assets (contd.)

* 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 and are restricted pursuant to a financial covenant to maintain certain reserve requirement as part of the repayment schedule of certain loans and borrowings as further disclosed in Note 31.

28. Deposits, cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	149,917	85,816	379	243
Short term deposits with:				
- Licensed banks	205,959	325,349	-	-
Total deposits, cash and bank balances	355,876	411,165	379	243
Bank overdrafts (Note 31)	(525)	(1,898)	-	-
Restricted deposits, cash and bank balances	(77,080)	(267,925)	-	-
Deposits with licensed banks with maturity more than three months	(77,454)	-	-	-
Cash and cash equivalents	200,817	141,342	379	243

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Short term deposits with:				
- Licensed banks	3.39	3.13	-	-

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 RM77,080,000 (2017: RM267,925,000), which are restricted pursuant to a financial covenant to maintain certain reserve requirement as part of the repayment schedule of certain loans and borrowings as further disclosed in Note 31.

28. Deposits, cash and bank balances (contd.)

The currency exposure profile of deposits, cash and bank balances are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	352,884	399,053	379	243
Chinese Renminbi	161	5,968	-	-
Thai Baht	2,229	6,112	-	-
Singapore Dollar	598	-	-	-
US Dollar	4	32	-	-
	355,876	411,165	379	243

29. Retirement benefit obligations

	Group	
	2018 RM'000	2017 RM'000
Representing:		
Current	15,829	10,729
Non-current	72,561	77,396
	88,390	88,125

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 2018 was updated based on the 31 December 2017 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	
	2018 RM'000	2017 RM'000
At beginning of financial year	88,125	92,873
Charge to profit or loss (Note 10)	9,166	8,604
Benefits paid	(8,901)	(10,589)
Remeasurement gain on defined benefit plan	-	(2,763)
At end of financial year	88,390	88,125

29. Retirement benefit obligations (contd.)

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

	Group	
	2018 **RM'000**	**2017** **RM'000**
Charge to profit or loss		
Current service costs	4,822	4,243
Interest costs	4,344	4,361
Total included in staff costs	9,166	8,604

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	
	2018 **%**	**2017** **%**
Discount rate	5.0	5.0
Expected rate of salary increases	6.0	6.0

30. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments:				
- Within one year	1,132	1,632	125	125
- Between two to five years	2,031	2,841	187	312
- More than five years	20	251	-	-
Total minimum lease payments	3,183	4,724	312	437
Less: Amounts representing finance charges	(234)	(402)	(20)	(39)
Present value of minimum lease payments	2,949	4,322	292	398
Present value of payments:				
- Within one year	1,014	1,454	231	106
- Between two to five years	1,915	2,621	61	292
- More than five years	20	247		-
Present value of minimum lease payments	2,949	4,322	292	398
Less: Amount due within 12 months	(1,014)	(1,454)	(231)	(106)
Amount due after 12 months	1,935	2,868	61	292

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Effective interest rates:				
- Finance lease	2.67	4.34	2.93	2.93

31. Loans and borrowings

	Group	
	2018 RM'000	2017 RM'000
Current		
Secured:		
Sukuk Musharakah	-	62,942
Sukuk Murabahah	35,205	-
Musharakah Medium Term Notes ("mMTN")	49,764	49,288
Term loan 3	616	640
Term loan 4	1,310	1,181
Term loan 5	1,508	1,377
Term loan 6	854	-
Term loan 7	126	-
Bank overdrafts	53	-
	89,436	115,428
Unsecured:		
Bank overdrafts	472	1,898
Total current interest-bearing loans and borrowings	89,908	117,326
Non-current		
Secured:		
Sukuk Musharakah	-	476,593
Sukuk Murabahah	590,781	-
Musharakah Medium Term Notes ("mMTN")	494,923	544,687
Term loan 3	-	601
Term loan 4	2,448	3,845
Term loan 5	1,790	3,220
Term loan 6	10,840	-
Term loan 7	2,570	-
	1,103,352	1,028,946
Unsecured:		
Convertible unsecured loan stocks ("CULS")	10,049	11,268
Total non-current interest-bearing loans and borrowings	1,113,401	1,040,214
Total interest-bearing loans and borrowings	1,203,309	1,157,540

31. Loans and borrowings (contd.)

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

	Repayment Maturity	Group 2018 %	 2017 %
Secured			
Sukuk Musharakah	2026	8.10	8.10
Sukuk Murabahah	2030	6.76	-
Musharakah Medium Term Notes ("mMTN")	2029	6.30	6.30
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
Term loan 6	2028	MLR - 1	-
Term loan 7	2024	MLR - 1	-
Unsecured			
Bankers' acceptances	On demand	-	-
Bank overdrafts	On demand	8.45	8.45
Convertible unsecured loan stock ("CULS")	2022	15.28	15.28

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

	Group 2018 RM'000	 2017 RM'000
Ringgit Malaysia	1,181,194	1,146,676
Thai Baht	22,115	10,864
	1,203,309	1,157,540

The maturity profile of loans and borrowings are as follows:

	Group 2018 RM'000	 2017 RM'000
Maturity of loans and borrowings:		
- Within one year	89,908	117,326
- Between one to two years	129,423	107,385
- Between two to five years	389,139	303,419
- More than five years	594,839	629,410
Total loans and borrowings	1,203,309	1,157,540

31. Loans and borrowings (contd.)

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 2018	1,040,214	115,428	1,155,642
Cash flows	179,633	(160,382)	19,251
Non-cash changes:			
Translation	185	77	262
Other changes	(106,577)	134,259	27,682
At 31 December 2018	1,113,455	89,382	1,202,837

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

The Sukuk Musharakah 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 Musharakah 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.

31. Loans and borrowings (contd.)

Sukuk Musharakah (contd.)

The Sukuk Musharakah 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 Musharakah with a nominal value of RM100,000,000.

On 26 January 2018, RCSB had fully redeemed its outstanding Sukuk Musharakah with nominal value of RM540,000,000.

31. Loans and borrowings (contd.)

Sukuk Murabahah

On 26 January 2018, a wholly-owned subsidiary of the Group, SAJ Capital Sdn. Bhd. ("SAJC"), issued RM650,000,000 nominal value Islamic Medium Term Notes under the Shariah principal of Murabahah ("Sukuk Murabahah"). The Sukuk Murabahah is issued for the following purposes:

(i) RM410,000,000 to partly refinance the Group's existing outstanding Sukuk Musharakah;

(ii) RM17,603,000 to fund the Finance Service Reserve Account ("FSRA") as required by the Sukuk Murabahah;

(iii) RM13,159,000 was used to finance all costs and expenses incurred in relation to the Sukuk Murabahah exercise; and

(iv) The remaining balance was used for working capital requirements and general funding requirements of the Group.

The Sukuk Murabahah has a tenure of up to 12 years from the date of first issuance.

The Sukuk Murabahah is secured over the followings:

(i) first ranking fixed assignment and charge over RCSB’s entire shareholding in Ranhill SAJ Sdn. Bhd. ("RanhillSaj") (formerly known as SAJ Ranhill Sdn. Bhd.);

(ii) first ranking assignment of all income and revenue including any dividends and distributions received or receivable by RCSB in respect of RCSB’s shareholdings in RanhillSaj, whether income or capital in nature, and the payment and repayment of shareholder’s loans and advances received or receivable by RCSB from RanhillSaj and an irrevocable instruction from RCSB to RanhillSaj, to deposit all the proceeds of the income and revenue including any dividends and distributions receivable by RCSB from RanhillSaj to the Revenue Account;

(iii) a first ranking debenture comprising a fixed and floating charge over all present and future assets, rights, and interests of SAJC excluding the Sukuk Trustee’s Reimbursement Account;

(iv) a first ranking fixed charge and assignment over the Designated Accounts and the credit balances therein; and

31. Loans and borrowings (contd.)

Sukuk Murabahah (contd.)

The Sukuk Murabahah is secured over the followings: (contd.)

(v) any other security as may be advised by the Solicitors.

The major covenants that are required to be complied by SAJC are as follows:

(i) to maintain a Financial Service Cover Ratio ("FSCR") of at least 1.5 times; and

(ii) to maintain a debt/equity ratio of not higher than 1.50 times on a consolidated basis.

Musharakah Medium Term Notes ("mMTN")

On 17 June 2011, Ranhill Powertron II Sdn. Bhd. ("RanhillPower II"), 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 RanhillPower II and to fund the Finance Service Reserve Account ("FSRA") as required by the mMTN;

(b) RM90,000,000 as advances to the shareholders of RanhillPower II; 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.

31. Loans and borrowings (contd.)

Musharakah Medium Term Notes ("mMTN") (contd.)

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 RanhillPower II;

(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 RanhillPower II in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RanhillPower II 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 RanhillPower II.
- Any other security as may be advised by the solicitors to the JLAs (“Legal Counsel”) and agreed with the Issuer.

Tranche 2

The securities will be shared on pari passu basis with the Guarantor in Tranche 1 via the security sharing arrangement in respect of the payment obligation by RanhillPower II of the nominal value of each series of the Tranche 2.

The major covenants that are required to be complied by RanhillPower II 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;

31. Loans and borrowings (contd.)

Musharakah Medium Term Notes ("mMTN") (contd.)

Tranche 2 (contd.)

The major covenants that are required to be complied by RanhillPower II are as follows: (contd.)

(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 and based on the revised Agreement dated May 2009, the CULS had extended for another 10 years up to 30 June 2019. During the year, the CULS has been extended for another 3 years up to 30 June 2022 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 RanhillPower I. 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 RanhillPower I'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 2018 is RM1,063,000 (2017: RM1,063,000).

31. Loans and borrowings (contd.)

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.

Term loan 6

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") minus 1.0% per annum. The repayment period is from 2018 to 2028.

Term loan 7

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 66 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") minus 1.0% per annum. The repayment period is from 2018 to 2024.

31. Loans and borrowings (contd.)

Bank overdrafts

The bank overdrafts bear interest at 8.40% (2017: 8.40%) per annum 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..

32. Zakat liability

	Group	
	2018 RM'000	2017 RM'000
At beginning of financial year	9,526	8,699
Charged to profit or loss	5,516	1,139
Zakat paid	(6,949)	(312)
At end of financial year	8,093	9,526

33. Trade and other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade payables				
Third parties (Note a)	122,969	141,433	-	-
Amount due to PAAB (Note d)	24,596	86,055	-	-
Amounts due to related parties (Note b)	2,303	1,587	-	-
Retention sum on contracts (Note c)	-	2,952	-	-
	149,868	232,027	-	-
Non-trade payables				
Other payables	85,840	108,560	307	1,255
Dividend payable	14,250	13,000	-	-
Retention sum on contracts (Note c)	9,886	7,516	-	-
Amounts due to related parties (Note b)	431	1,024	-	13
Amounts due to subsidiaries (Note b)	-	-	16,355	16,340
	110,407	130,100	16,662	17,608
Total current payables	260,275	362,127	16,662	17,608

33. Trade and other payables (contd.)

	Group		Company	
	1,262	2,255	-	-
	RM'000	RM'000	RM'000	RM'000
Non-Current				
Trade payables				
Amount due to PAAB (Note d)	-	16,824	-	-
Retention sum on contracts (Note c)	1,216	329	-	-
	1,216	17,153	-	-
Non-trade payables				
Other payables	-	1,917	-	-
Total non-current payables	1,216	19,070	-	-
Total trade and other payables	261,491	381,197	16,662	17,608
Add: Finance lease liabilities (Note 30)	2,949	4,322	292	398
Add: Loans and borrowings (Note 31)	1,203,309	1,157,540	-	-
Add: Service concession obligations (Note 34)	686,403	-	-	-
Add: Contract liability (Note 23)	23	-	-	-
Total financial liabilities carried at amortised cost	2,154,175	1,543,059	16,954	18,006

(a) Trade payables - current

Credit terms of trade payables granted to the Group vary from 30 to 365 days (2017: 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 2 to 5 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 and is repayable by 2019.

33. Trade and other payables (contd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	256,984	367,293	16,662	17,608
Chinese Renminbi	493	11,665	-	-
US Dollar	114	169	-	-
Thai Baht	3,884	1,988	-	-
Others	16	82	-	-
	261,491	381,197	16,662	17,608

34. Service concession obligations

	Group	
	2018 RM'000	2017 RM'000
Minimum lease payments:		
- Within one year	357,626	-
- Between two to five years	361,192	-
Total minimum lease payments	718,818	-
Less: Future finance charges	(32,415)	-
Present value of minimum lease payments	686,403	-
Present value of payments:		
- Within one year	333,822	-
- Between two to five years	352,581	-
Present value of minimum lease payments	686,403	-
Less: Amount due within 12 months	(333,822)	-
Amount due after 12 months	352,581	-

Service concession obligations are in respect of the lease rental payable in accordance with the Facility Agreement entered into with PAAB for the right to use, occupy and operate the water related assets belonging to PAAB.

The weighted average effective interest rates per annum for the lease rental payable as at reporting date is 4.46% (2017: 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 (2017: RM70,407,920) as disclosed in Note 22.

These amounts would be repaid by SAJSB, the previous water operator, in the event that the consumer deposits fall below the value of the long term refundable deposits.

36. Share capital

	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Group and Company				
Authorised share capital				
At 1 January/31 December (Note a)	-	-	-	-
Issued and fully paid up				
At 1 January	888,316	888,316	1,275,319	888,316
Effect of implementation of the Act (Note a)	-	-	-	387,003
At 31 December	888,316	888,316	1,275,319	1,275,319

(a) 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.

37. Share premium

	Group/Company	
	2018 RM'000	2017 RM'000
At beginning of financial year	-	387,003
Effect of implementation of the Act (Note 36(a))	-	(387,003)
At end of financial year	-	-

38. Other reserves

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Merger deficit (Note a)	(906,015)	(906,015)	-	-
Currency translation reserve (Note b)	11,547	13,641	-	-
Equity component of convertible unsecured loan stocks ("CULS") (Note c)	1,063	1,063	-	-
Retained earnings (Note d)	167,455	198,157	18,989	41,580
	(725,950)	(693,154)	18,989	41,580

(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 2018 under the single tier system.

39. Dividends

Recognised during the financial year:

			Amount of dividend, net of tax	
	2018 sen	**2017 sen**	**2018 RM'000**	**2017 RM'000**
Group				
Interim dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
Final dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
Interim dividend on 888,315,767 ordinary shares	2.00	1.00	17,766	8,883
Interim dividend on 888,315,767 ordinary shares	2.00	-	17,766	-
Interim dividend on 100,000,000 ordinary shares	58.75	21.25	11,750	4,250
Interim dividend on 100,000,000 ordinary shares	20.00	78.75	4,000	15,750
Interim dividend on 100,000,000 ordinary shares	41.25	25.00	8,250	5,000
Interim dividend on 100,000,000 ordinary shares	10.00	40.00	2,000	8,000

39. Dividends (contd.)

Recognised during the financial year: (contd.)

			Amount of dividend, net of tax	
	2018 sen	2017 sen	2018 RM'000	2017 RM'000
Group (contd.)				
Interim dividend on 10,000,000 ordinary shares	60.00	-	2,400	-
Interim dividend on 500,000 ordinary shares	400.00	200.00	800	400
Interim dividend on 500,000 ordinary shares	400.00	200.00	400	200
			100,664	78,015

39. Dividends (contd.)

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

	2018 sen	2017 sen	Amount of dividend, net of tax 2018 RM'000	Amount of dividend, net of tax 2017 RM'000
Company				
Interim dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
Final dividend on 888,315,767 ordinary shares	2.00	2.00	17,766	17,766
Interim dividend on 888,315,767 ordinary shares	2.00	1.00	17,766	8,883
Interim dividend on 888,315,767 ordinary shares	2.00	-	17,766	-
			71,064	44,415

40. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers:

	For the year ended 31 December 2018			
Segments	**Water**	**Power**	**Others**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
Type of goods or services				
Water revenue	1,120,630	-	-	1,120,630
Sale of electricity	-	200,058	-	200,058
Contribution by housing developers	60,299	-	-	60,299
Non-revenue water reduction fees	4,784	-	-	4,784
Construction contract revenue	42,470	-	-	42,470
Operation and maintenance revenue	11,494	-	-	11,494
Special works	10,687	-	-	10,687
Sale of equipment	1	-	-	1
Technical and management services	128	-	-	128
Total revenue from contracts with customers	1,250,493	200,058	-	1,450,551
Geographical Market				
Malaysia	1,216,489	200,058	-	1,416,547
Thailand	34,004	-	-	34,004
Total revenue from contracts with customers	1,250,493	200,058	-	1,450,551
Timing of revenue recognition				
Goods transferred at a point in time	1,203,239	200,058	-	1,403,297
Service transferred over time	47,254	-	-	47,254
Total revenue from contracts with customers	1,250,493	200,058	-	1,450,551

40. Revenue from contracts with customers (contd.)

Disaggregated revenue information (contd.)

Segments	For the year ended 31 December 2018 Others	Total
	RM'000	RM'000
Company		
Type of goods or services		
Dividend income	61,225	61,225
Total revenue from contracts with customers	61,225	61,225
Geographical Market		
Malaysia	61,225	61,225
Total revenue from contracts with customers	61,225	61,225
Timing of revenue recognition		
Goods transferred at a point in time	61,225	61,225
Total revenue from contracts with customers	61,225	61,225

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied), in respect of construction contract as at 31 December 2018 is RM34,526,000 and expected to be completed within 12 months.

41. 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

41. Significant related parties disclosures (contd.)

(a) Transactions with related parties (contd.)

The related parties and their relationship with the Group are as follows:

Related parties	Relationship
Ranhill (Chongren) 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 Process System Sdn. Bhd. (Formerly known as 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.
Jenzer Motorsport	Director's immediate family member.

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.

41. Significant related party disclosures (contd.)

(a) Transactions with related parties (contd.)

	Group 2018 RM'000	Group 2017 RM'000
(i) Work performed on infrastructure assets and consultancy fees charged to/(by):		
- Ranhill (Chongren) Water Co. Ltd.	-	963
- Ranhill Consulting Sdn. Bhd.	(3,107)	(2,082)
- REPC Services Sdn. Bhd.	-	406
- Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd.	-	1,404
- Ranhill Process System Sdn. Bhd. (Formerly known as Ranhill E&C Sdn Bhd)	(15,785)	(3,431)
(ii) Rental of office charged by:		
- Nusantara Cement Sdn. Bhd.	-	(72)
(iii) IT and management services rendered from:		
- Ranhill Group Sdn. Bhd.	-	(53)
- Ranhill Global Systems Sdn. Bhd.	(1,127)	(106)
- Symphony Share Registrar Sdn. Bhd	(115)	(169)
- Symphony Corporatehouse Sdn. Bhd.	(43)	(29)
(iv) Borrowings and interest payable to:		
- Sabah Energy Corporation Sdn. Bhd.	(1,450)	(1,450)
- Ranhill Global Sdn. Bhd.	-	(35)
(v) Guarantee fees payable to:		
- Tan Sri Hamdan Mohamad	(6,900)	-
(vi) Sponsorship payable to:		
- Jenzer Motorsport	(800)	-

41. Significant related party disclosures (contd.)

(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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	12,402	16,781	4,374	6,816
Contributions to defined contribution plan	1,677	1,215	314	328
Fees and other emoluments	1,461	1,840	864	864
	15,540	19,836	5,552	8,008

42. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2018 RM'000	2017 RM'000
Approved and contracted for	390	2,359
Approved but not contracted for	5,700	3,792
	6,090	6,151
Analysed as follows:		
Plant and machineries	5,700	3,792

42. Commitments (contd.)

(b) Operating lease commitments – as lessee

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

	Group 2018 RM'000	 2017 RM'000
Non-cancellable rental commitments		
Future minimum rentals payable:		
- Within one year	834	189
- Between one and five years	683	338
- More than five years	-	216
	1,517	743

(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 30.

(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.

43. 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 2018				
Financial assets through profit or loss				
- Islamic Managed Funds	-	67,082	-	67,082
- Deposits with other financial institution	-	5,059	-	5,059
- Listed equity investment	753	-	-	753
	753	72,141	-	72,894
31 December 2017				
Financial assets through profit or loss				
- Islamic Managed Funds	-	7,695	-	7,695
- Deposits with other financial institution	-	3,747	-	3,747
	-	11,442	-	11,442

43. Fair value of financial instruments

(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 2018			
Non-current			
Financial asset			
Finance lease receivable	16	460,699	442,007
Financial liabilities			
Sukuk Murabahah	31	590,781	403,272
Musharakah Medium Term Notes ("mMTN")	31	494,923	334,822
Group			
31 December 2017			
Non-current			
Financial asset			
Finance lease receivable	16	508,356	494,500
Financial liabilities			
Sukuk Musharakah	31	473,593	375,628
Musharakah Medium Term Notes ("mMTN")	31	544,687	381,769

(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.

44. Financial risk management objectives and policies

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.

44. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

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 2018		
Malaysia	315,318	99
China	7	<1
Thailand	3,955	1
Cayman Island	450	<1
Hong Kong	30	<1
	319,760	100
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

At the reporting date, approximately:

- 60.6% (2017: 74%) of the Group's trade receivables were due from water revenue customers.
- 39.4% (2017: 26%) of the Group's trade receivables were due from electricity revenue customers.
- 0.4% (2017: 1%) 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.

44. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is a sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(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.

44. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

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 2018				
Group				
Trade and other payables	243,451	17,189	851	-
Finance lease payables	1,127	865	1,095	21
Borrowings	54,414	94,947	316,749	774,952
Total undiscounted financial liabilities	298,992	113,001	318,695	774,973
Company				
Trade and other payables, representing total undiscounted financial liabilities	16,662	-	-	-
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	-	-	-

44. Financial risk management objectives and policies (contd.)

(c) Foreign currency risk (contd.)

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 RM266,000 (2017: RM330,000) 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 2% (2017: 1%) of the Group's sales are denominated in foreign currencies whilst almost 2% (2017: 3%) 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 28.

44. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk (contd.)

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	
		2018 RM'000 Profit net of tax	2017 RM'000 Profit net of tax
USD/RM	- strengthened 3%	(13)	(28)
	- weakened 3%	13	28
RMB/RM	- strengthened 3%	(213)	(172)
	- weakened 3%	213	172
THB/RM	- strengthened 3%	(358)	(111)
	- weakened 3%	358	111
SGD/RM	- strengthened 3%	(2)	-
	- weakened 3%	2	-

45. 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 31 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 2018

45. Capital management (contd.)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group's policy is to keep the gearing ratio not exceeding 1.50 times. The Group includes within net debt, total outstanding principal obligations under all financing facilities and all other indebtness for borrowed monies, hire purchase obligations, finance lease obligations, fair value of financial instruments in connection with borrowed monies and any other financial guarantees, but excluding any non-recourse financing.

	Group	
	2018 RM'000	2017 RM'000
Interest-bearing loans and borrowings other than convertible preference shares (Note 31)	99,957	128,594
Trade and other payables (Note 33)	261,491	381,197
Finance lease payables (Note 30)	2,949	4,322
Consumer deposits (Note 35)	244,364	238,613
Retirement benefit obligations	88,390	88,125
Net debt	697,151	840,851
Share capital (Note 36)	1,275,319	1,275,319
Other reserves (Note 38)	(725,950)	(693,154)
Net equity	549,369	582,165
Gearing ratio	1.27	1.44

46. 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	
	2018	2017
Net profit attributable to ordinary shares (RM'000)	42,308	72,352
Weighted average number of ordinary shares in issue ('000)	888,316	888,316
Basic earnings per ordinary share (cents)	5	8

47. Significant event

On 26 January 2018, a wholly-owned subsidiary of the Group, SAJ Capital Sdn. Bhd. ("SAJC") issued an Islamic Medium Term Notes of RM650,000,000 in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement), guaranteed by the Company. The proceeds raised was used to fully redeem its existing Sukuk Musharakah.

48. Subsequent events

(a) Disposal of Wastewater Treatment Plant

On 14 January 2019, a wholly-owned subsidiary of the Group, Ranhill Water Technologies (Thai) Ltd. ("RWTT") received a Letter of Intent from Asian Institute of Technology ("AIT University") (service concession grantor) on its intention to buy back the Wastewater Treatment Plant ("WWTP") at a selling price of RM768,000 (THB6,017,000) ahead of the concession expiry date on 17 July 2020. This had been approved by the directors of the Company on 24 January 2019.

(b) Proposed issuance of bonus shares, dividend reinvestment plan and establishment of a long term incentive plan

On 28 February 2019, the Group has proposed for the followings:

(i) Bonus shares
Issuance of bonus shares of 177,663,153 new ordinary shares in the Company on the basis of 1 Bonus Share for every 5 existing shares held in the Company;

(ii) Dividend reinvestment plan (“DRP”)
Establishment of a DRP which will provide shareholders of the Company with an option to elect to reinvest in whole or in part, their cash dividend, which includes any interim, final, special or other types of cash dividend in new shares in the Company; and

(ii) Long term incentive plan (“LTIP”)
Establishment of LTIP of up to 10% of the total number of issued shares in the Company (excluding treasury shares, if any) for eligible executive directors and employees of the Group (excluding subsidiaries of the Group which are dormant) at any point in time.

49. 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 2018					
Revenue:					
Sales to external customers	1,250,493	309,363	195,533		1,755,389
Inter-segment elimination	-	-	(195,533)		(195,533)
	1,250,493	309,363	-		1,559,856

49. Segmental information (contd.)

	Environment RM'000	Power RM'000	Others RM'000	Note	Total RM'000
31 December 2018					
Results:					
Gross profit	378,377	92,290	-		470,667
Interest income	10,333	45,981	1,274		57,588
Depreciation	33,156	18,057	457		51,670
Amortisation	331,269	-	-		331,269
Share of results of an associate	7,320	(208)	-		7,112
Other non-cash items	38,884	(39,944)	18,451	A	17,391
Segment profit/(loss)	137,638	60,653	(112,821)		85,470
Assets:					
Additions to non-current assets	1,027,393	417	1,711	B	1,029,521
Segment assets	2,004,346	1,258,405	72,822		3,335,573
Segment liabilities	1,272,264	677,251	629,307		2,578,822
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

49. Segmental information (contd.)

	Environment RM'000	Power RM'000	Others RM'000	Note	Total RM'000
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

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

	Note	2018 RM'000	2017 RM'000
Finance lease income	6	(39,944)	(43,130)
Finance income from operating financial assets	6	(3,888)	(3,903)
Waiver of costs incurred in prior years	7	-	(5,253)
Gain on disposal of subsidiaries	7	-	(242)
Reversal of expected credit losses on trade receivables	7	(3,541)	-
Unwinding of interest of service concession obligations	8	40,366	9,451
Allowance for expected credit loss on:	9		
- Trade receivables		3,206	4,947
- Other receivables		3,500	-
(Reversal)/Provision for liquidated ascertained damages	9	(759)	746
Impairment of investment in an associate	9	18,451	-
		17,391	(37,384)

B Additions to material non-current assets consist of:

	Note	2018 RM'000	2017 RM'000
Property, plant and equipment	13	36,375	64,041
Service concession assets	14	991,625	23,791
Intangibles - software	15	1,521	373
		1,029,521	88,205

PROPERTY OWNED BY OUR GROUP

as at 31 December 2018

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 2018 (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	11,550

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

The Company had obtained the Shareholders' Mandate on renewal of recurrent related party transactions of revenue or trading nature and new Shareholders' Mandate for additional RRPT of a revenue or trading in nature at the Annual General Meeting held on 8 May 2018.

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 2018 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 RCSB and the following parties:-

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RanhillPower I	CULS interest by RanhillPower I to RCSB.	TSHM CHEVAL LOSB HF HI	2,175
RanhillPower I	Secretarial and management services by RCSB to RanhillPower I.		600
RanhillPower II	Secretarial and management services by RCSB to RanhillPower II.		600
RPOMI	Secretarial and management services by RCSB to RPOMI.		150
RPOMII	Secretarial and management services by RCSB to RPOMII.		180
RanhillSaj	Secretarial and management services by RCSB to RanhillSaj.		7,250

Transactions entered/ to be entered between RanhillPower I 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 RanhillPower I to SECSB.	SECSB	1,450

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

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)
RanhillPower I	Provision of operating & maintenance services by RPOMI to RanhillPower I in respect of the RanhillPower I power plant.	TSHM CHEVAL LOSB HF HI SECSB	16,516

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)
RanhillPower II	Provision of operating & maintenance services by RPOMII to RanhillPower II in respect of the RanhillPower II power plant.	TSHM CHEVAL LOSB HF HI SECSB	15,371

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)
RanhillSaj	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by RanhillSaj to RWSSB.	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	65,690

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

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

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RWTSB Group	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by RWTSB Group to RanhillSaj.	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	1,201

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

Transacting Related Party	Nature of Transactions	Interested Related Parties	Amount transacted during the financial year (RM'000)
RPS	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by RWTC Group to RPS.	TSHM HF HI	15,184

DEFINITIONS

The definition shall have the following meanings:-

"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
"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)
"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.
"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

DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS

"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" (Enactment No 2 of 1953)	:	Perbadanan Setiausaha Kerajaan Negeri Johor [The State Secretary Johore Incorporated]
"Ranhill" or "the Company"	:	Ranhill Holdings Berhad (1091059-K), 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
"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
"RM" and "Sen"	:	Ringgit Malaysia and sen respectively
"RPS"	:	Ranhill Process System Sdn Bhd (742354-X) [Formerly known as Ranhill E&C Sdn Bhd] a company incorporated in Malaysia
"RanhillPower I"	:	Ranhill Powertron Sdn Bhd (330342-K), a company incorporated in Malaysia
"RanhillPower II"	:	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
"RanhillSaj"	:	Ranhill SAJ Sdn Bhd (476718-H) [Formerly known as SAJ Ranhill Sdn Bhd], a company incorporated in Malaysia
"SECSB"	:	Sabah Energy Corporation Sdn Bhd (381950-H), a company incorporated in Malaysia
"SGJ"	:	State Government of Johor
"Share(s)" or "Shareholders"	:	Shareholders of Ranhill
"Shareholders Mandate for RRPT"	:	The Mandate obtained by Ranhill from its shareholders at the 4th AGM held on 8 May 2018 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.

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2019

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

DISTRIBUTION OF SHAREHOLDINGS AS AT 22 FEBRUARY 2019

Shareholding	No. of Shareholders	%	No. of Shares	%
Less than 100	5,920	41.74	151,400	0.02
100 to 1,000	4,020	28.35	1,590,184	0.18
1,001 to 10,000	3,302	23.28	12,357,961	1.39
10,001 to 100,000	773	5.45	23,267,733	2.62
100,001 to less than 5% of issued shares	162	1.14	264,058,714	29.73
5% and above of issued shares	5	0.04	586,889,775	66.07
Total	**14,182**	**100.00**	**888,315,767**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 22 FEBRUARY 2019

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1.	Tan Sri Azman Yahya	1,500,000	0.17	16,500,000#	1.86
2.	Tan Sri Hamdan Mohamad	42,760,000	4.81	264,890,098*	29.82
3.	Dato Sri Lim Haw Kuang	-	-	-	-
4.	Datuk Abdullah Bin Karim	-	-	-	-
5.	Lim Hun Soon @ David Lim	-	-	-	-
6.	Abu Talib Bin Abdul Rahman	27,000	0.00	-	-
7.	Loong Mei Yin	-	-	-	-
8.	Leow Peen Fong	-	-	-	-

[#] Deemed interested by virtue of his interests in Virtuoso Capital Sdn Bhd and Azman & Son Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

* Deemed interested by virtue of (i) his interests in Hamdan Inc. (Labuan) Pte. Ltd. and Lambang Optima 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 22 February 2019

SUBSTANTIAL SHAREHOLDERS AS AT 22 FEBRUARY 2019

	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	102,013,786	11.48	-	-
Ranhill Corporation Sdn Bhd	-	-	-	-
Hamdan Inc. (Labuan) Pte Ltd	12,000,000	1.35	(1) 102,013,786	(1) 11.48
Hamdan (L) Foundation	150,876,312	16.98	(2) 114,013,786	(2) 12.83
Tan Sri Hamdan Mohamad	42,760,000	4.81	(3) 264,890,098	(3) 29.82
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	59,627,800	6.71	-	-

TOTAL ISSUED SHARE CAPITAL : 888,315,767 UNITS OF ORDINARY SHARES

Notes:

(1) Deemed interested by virtue of its direct interests in Lambang Optima 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. and Lambang Optima 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. and Lambang Optima 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 The State Secretary, Johore (Incorporated) pursuant to Section 8 of the Companies Act 2016.

(6) Included 956,900 shares under CIMB-Principal Asset Management Berhad.

ANALYSIS OF SHAREHOLDINGS
as at 22 February 2019

30 LARGEST SHAREHOLDERS AS AT 22 FEBRUARY 2019

No.	Particulars	No. of Shares	Percentage %
1	UOBM NOMINEES (ASING) SDN BHD CHEVAL INFRASTRUCTURE FUND L.P.	181,228,777	20.40%
2	HAMDAN (L) FOUNDATION	150,876,312	16.98%
3	UOBM NOMINEES (TEMPATAN) SDN BHD LAMBANG OPTIMA SDN BHD	102,013,786	11.48%
4	PERMODALAN DARUL TA'ZIM SDN BHD	94,100,000	10.59%
5	LEMBAGA TABUNG HAJI	58,670,900	6.60%
6	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN MOHAMAD (MGN-HAM007M)	42,760,000	4.81%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	22,477,200	2.53%
8	YPJ CORPORATION SDN BHD	20,041,633	2.26%
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)(419455)	14,242,400	1.60%
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK)	13,500,000	1.52%
11	MIDF AMANAH INVESTMENT NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN INC. (LABUAN) PTE LTD (MGN-HAM0007M)	12,000,000	1.35%
12	ABB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR VIRTUOSO CAPITAL SDN BHD	11,500,000	1.29%
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	10,158,400	1.14%

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2019

30 LARGEST SHAREHOLDERS AS AT 22 FEBRUARY 2019 (Contd.)

No.	Particulars	No. of Shares	Percentage %
14	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	8,417,400	0.95%
15	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET AUSTRALIA FUND OD51 FOR FSS TRUSTEE CORPORATION	7,232,289	0.81%
16	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	7,124,700	0.80%
17	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHE KHALIB BIN MOHAMAD NOH (CTS-CKM0006C)	3,860,000	0.43%
18	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (CIMB-P6939-404)	3,815,700	0.43%
19	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD ZAHDI BIN JAMIL (CTS-AZJ0002C)	3,660,000	0.41%
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG)	3,500,000	0.39%
21	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND 59HL FOR OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM	3,282,408	0.37%
22	PERTUBUHAN PELADANG KEBANGSAAN	3,000,000	0.34%
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIAS BAER & CO. LTD (SINGAPORE BCH)	2,676,562	0.30%
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM CIMBPRIN)	2,627,700	0.30%
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB PRNCP ISLM)	2,542,200	0.29%

ANALYSIS OF SHAREHOLDINGS

as at 22 February 2019

30 LARGEST SHAREHOLDERS AS AT 22 FEBRUARY 2019 (Contd.)

No.	Particulars	No. of Shares	Percentage %
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB TRUSTEE BERHAD (TR1032)	2,500,000	0.28%
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CPIAM EQ)	2,500,000	0.28%
28	VIRTUOSO CAPITAL SDN BHD	2,500,000	0.28%
29	BIMB SECURITIES SDN BHD CLR FOR LEMBAGA TABUNG HAJI	2,463,100	0.28%
30	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN TAKAFUL BERHAD (MEKAR)	2,204,300	0.25%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Fifth (5th) Annual General Meeting ("AGM")** of Ranhill Holdings Berhad ("Ranhill" or "the Company") will be held on **Thursday, 11 April 2019 at 10.00 a.m. at the Grand Ballroom, Level 11, Double Tree by Hilton Johor Bahru, No. 12, Jalan Ngee Heng, 80000 Johor Bahru, Johor**, for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon. (Note A)

2. To approve the payment of final dividend of 1 sen per share under the single-tier system in respect of the financial year ended 31 December 2018. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire in accordance with Article 101 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   (a) Tan Sri Hamdan Mohamad (Ordinary Resolution 2)
   (b) Dato Sri Lim Haw Kuang (Ordinary Resolution 3)
   (c) Ms Loong Mei Yin (Ordinary Resolution 4)

4. To approve the payment of Directors' fees and benefits from 12 April 2019 until the conclusion of the next Annual General Meeting of the Company. (Ordinary Resolution 5)

5. 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 6)

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:-

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** (Ordinary Resolution 7)

   "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 percent (10%) 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 Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the

NOTICE OF ANNUAL GENERAL MEETING

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).”

7. **Proposed Renewal of Shareholders’ Mandate For Recurrent Related Party Transactions (“RRPT”) of a Revenue or Trading Nature (“Proposed Renewal of Shareholders’ Mandate”)** (Ordinary Resolution 8)

“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) Part A of the Circular to Shareholders dated 19 March 2019 (“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) Part A 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 Part A of the Circular.”

8. **Proposed New Shareholders’ Mandate For Additional Recurrent Related Party Transactions (“RRPT”) of a Revenue or Trading Nature (“Proposed New 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

NOTICE OF ANNUAL GENERAL MEETING

or trading nature with the related parties as set out in Section 2.5 (II) Part A of the Circular to Shareholders dated 19 March 2019 ("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.

("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) Part A 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 Part A of the Circular."

To consider and if thought fit, to pass the following as Special Resolution:-

9. **Proposed Adoption of the New Constitution of the Company** (Ordinary Resolution 10)

"THAT approval be given to revoke the existing Constitution (previously referred to as the Memorandum and Articles of Association) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in Appendix II of the Circular to Shareholders dated 19 March 2019, be adopted as the Constitution of the Company AND THAT the Directors of the Company be authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10. To transact any other business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of final dividend of 1 sen per share under the single-tier system in respect of the financial year ended 31 December 2018 ("Dividend") under Ordinary Resolution 1 at the 5th AGM of the Company, the Dividend will be paid to the shareholders on 14 May 2019. The entitlement date for the Dividend shall be 26 April 2019.

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, 26 April 2019 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
19 March 2019

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.

NOTICE OF ANNUAL GENERAL MEETING

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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 10 April 2019, Wednesday at 10.00 am.**

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 5th 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 4 April 2019, Thursday shall be entitled to attend, speak and vote at the 5th 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.

<u>Explanatory Notes on Ordinary Resolutions 1, 5, 7, 8, and 9.</u>

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 26 February 2019, 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 14 May 2019 in accordance with the requirements under Section 132(2) and (3) of the Act.

Ordinary Resolution 5 – Proposed Payment of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Act, 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 12 April 2019 up till the next Annual General Meeting of the Company in 2020 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 7 - Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution proposed under Resolution 7 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 7, if passed, will give authority to the Directors of the Company, from the date of this Annual General Meeting, to issue and allot shares or to make or grant offers, agreements or options in respect of shares to such persons, in their absolute discretion including to make or grant offers, agreements or options which would or might require shares in the Company to be issued after the expiration of the approval, without having to convene a general meeting, provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The general mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to making placement of shares for purposes of funding investment(s), working capital and general corporate purposes as deemed necessary. The general mandate gives authority to the Directors to raise funds in an effective and expeditious manner.

Ordinary Resolution 8 – Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) of A Revenue or Trading Nature

The proposed Resolution 8, 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 19 March 2019 which is despatched together with the Company's 2018 Annual Report.

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

The proposed Resolution 9, 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 19 March 2019, which is despatched together with the Company's 2018 Annual Report.

Explanatory Notes on Special Resolution 10.

Special Resolution 10 – Proposed Adoption of the New Constitution of the Company

The proposed Resolution 10, if passed, will bring the Company's Constitution in line with the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution is set out in Appendix II of the Circular to Shareholders dated 19 March 2019 accompanying the Company's Annual Report 2018.

STATEMENT ACCOMPANYING THE NOTICE OF THE 5TH AGM

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1) DETAILS OF INDIVIDUALS WHO ARE SEEKING ELECTION

No individual is seeking for election as a Director at the forthcoming 5th AGM of the Company.

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

Ordinary Resolution 7 set out in the Notice of 5th AGM of the Company will give a renewed mandate to the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("Renewed Mandate") for such purposes as the Directors may deem fit and in the interest of the Company. The Renewed Mandate, 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 5th AGM, the Directors have not utilised the mandate granted to the Directors at the last Fourth (4th) Annual General Meeting of the Company held on 8 May 2018 and the said mandate will lapse at the conclusion of the forthcoming 5th AGM of the Company.

The Company is seeking the approval from shareholders on the Renewed Mandate for the purpose of possible fund raising exercise including but not limited to placement of shares for purpose of funding future investment project(s), working capital and/or acquisitions and to avoid delay and cost in convening general meeting to approve such issue of shares.

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 Fifth (5th) Annual General Meeting of the Company to be held on **Thursday, 11 April 2019 at 10.00 a.m. at the Grand Ballroom, Level 11, Double Tree by Hilton Johor Bahru, No. 12, Jalan Ngee Heng, 80000 Johor Bahru, Johor**, 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 discretion or as he thinks fit.)

		FOR	AGAINST	ABSTAIN
Ordinary Resolution 1	To approve the payment of final dividend of 1 sen per share under the single-tier system in respect of the financial year ended 31 December 2018			
Ordinary Resolution 2	To re-elect Tan Sri Hamdan Mohamad pursuant to Article 101			
Ordinary Resolution 3	To re-elect Dato Sri Lim Haw Kuang pursuant to Article 101			
Ordinary Resolution 4	To re-elect Ms Loong Mei Yin pursuant to Article 101			
Ordinary Resolution 5	To approve the payment of Directors' fees and benefits from 12 April 2019 until the conclusion of the next Annual General Meeting of the Company			
Ordinary Resolution 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	To authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016			
Ordinary Resolution 8	To approve the Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) Of A Revenue Or Trading Nature			
Ordinary Resolution 9	To approve the Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature			
Ordinary Resolution 10	To approve the Proposed Adoption of the New Constitution of the Company			

No. of Shares held	

The proportion of *my/*our holdings to be represented by *my/our* proxy/proxies are as follows:-

First Name Proxy __________ %

Second Name Proxy __________ %

*Strike out whichever is not applicable.

Dated this ____________ day ____________ of 2019

____
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 4 April 2019, Thursday shall be entitled to attend, speak and vote at the 5th 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.

Fold here

Ranhill Holdings Berhad
5th Annual General Meeting
11 April 2019

STAMP

BOARDROOM SHARE REGISTRARS SDN BHD
(FORMERLY KNOWN AS 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 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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 10 April 2019, Wednesday at 10.00 am.**

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 5th 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 Ranhill SAJ, Jalan Garuda, Larkin
80350 Johor Bahru, Johor Darul Takzim, Malaysia

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