ANNUAL REPORT 2019

JOURNEY AHEAD

Ranhill

Pontian Dam, Johor

6th Annual General Meeting

Diamond 2, 10th Floor
Holiday Villa
Johor Bahru City Centre
260, Jalan Dato Sulaiman
Taman Abad
80250 Johor Bahru
Johor Darul Takzim

Tuesday, 21 April 2020

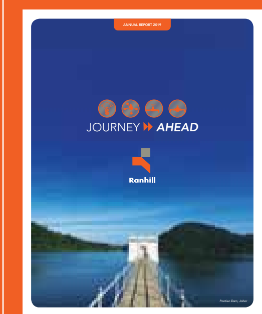
10.00 a.m.

Cover Rationale

As an organisation with a strong future focus, Ranhill strives to build a sustainable future landscape for all stakeholders. Through innovation, passion and an unwavering commitment to address the world's pressing environmental and development challenges, Ranhill continues to build for the future – unlocking value, creating opportunities and reshaping the landscape to usher in a horizon of shared socio-economic progress and prosperity for a better future.

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 2019

Objective

→ Provides a comprehensive discussion of the Group's performance

SUSTAINABILITY REPORT 2019

Objective

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

CONTENTS


Semangar Water Treatment Plant, Johor


Amata Reclamation Plant, Thailand

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

OUR MISSION

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.

Ranhill Fact Sheet

ENVIRONMENT

99.88%

→ Water Supply Coverage Areas

689

→ Reservoirs & 44 Water Treatment Plants
→ 22 Wastewater & Reclamation Plants

2,367 MLD

→ Total Water and Wastewater Treatment Capacity

Local	International
85.6%	14.4%

22,917 KM

→ Pipelines, of which 19,437.94 KM are reticulation mains, 3,309.61 KM of distribution mains and 169.47 KM of raw water mains

→ Achieved 341 MLD, or

85%

of targeted 400 MLD from international water and wastewater operations

CLEAN ENERGY

WE ARE THE LARGEST INDEPENDENT POWER PRODUCER ("IPP")

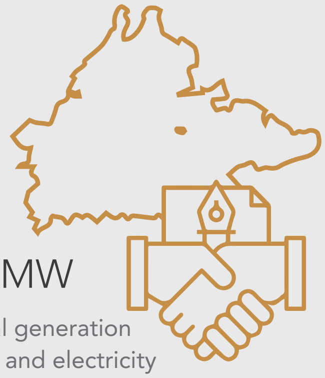
within the state of Sabah in Malaysia

21 -year

→ Power Purchase Agreement ("PPA") with Sabah Electricity Sdn Bhd ("SESB") for the sale of up to

380 MW

→ Electrical generation capacity and electricity production



Energy Generating Capacity

380 MW

Operate

2x190 MW

→ Combined Cycle Gas Turbine ("CCGT") power plants in Kota Kinabalu Industrial Park

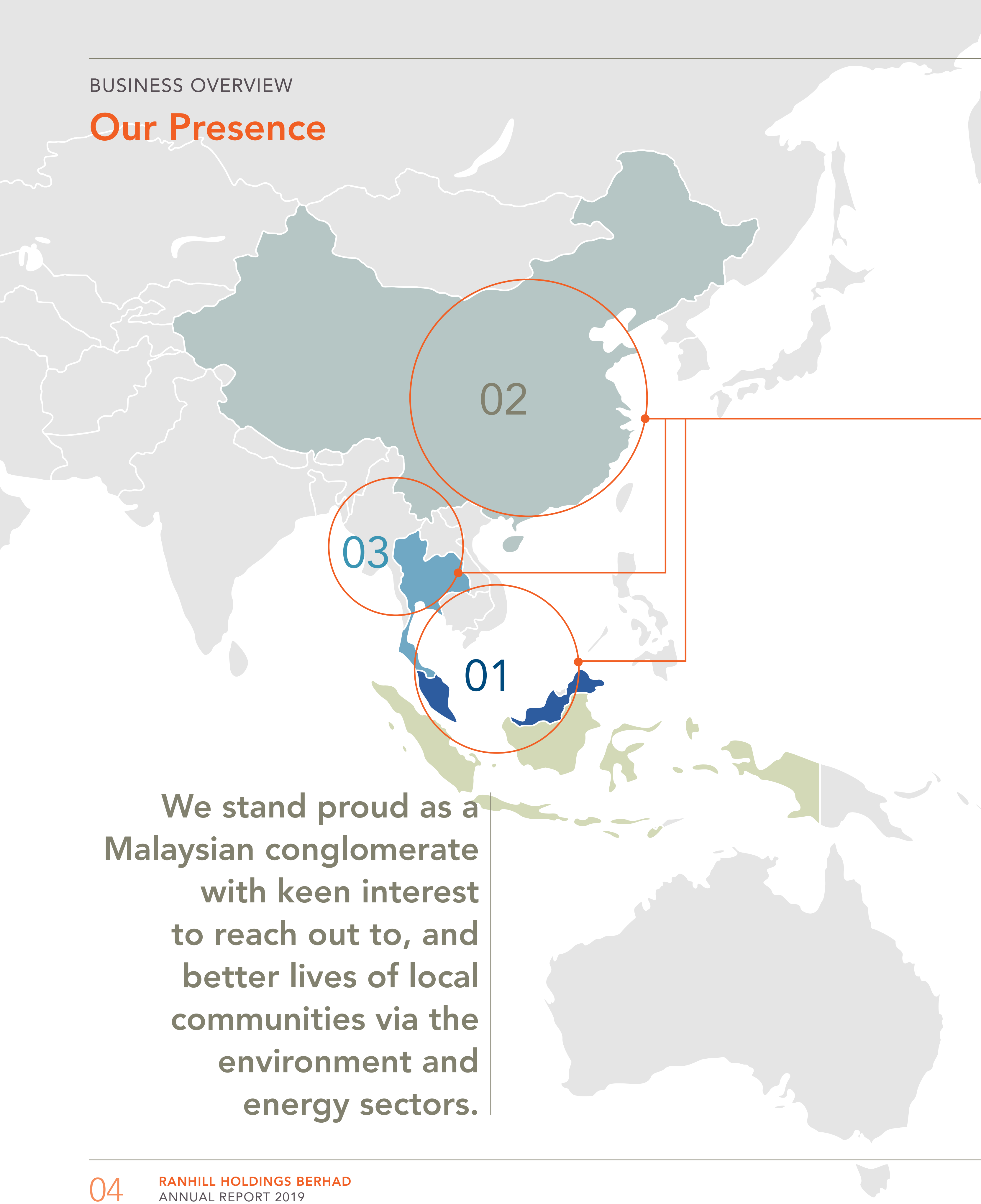
DEVELOPMENT ROLE

100 %

→ New hires attended the onboarding programme

→ Inclusion in the FTSE4Good ESG index

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 energy sectors.

SEGMENTAL REVENUE (RM'MILLION)

1,605.5

98.5% of group revenue

SEGMENTAL REVENUE (RM'MILLION)

24.3

1.5% of group revenue

Effective December 2016, revenue from China is not consolidated as it is from an associate.

OPERATES IN 3 COUNTRIES

OUR BUSINESSES

WATER SUPPLY SERVICES

WATER AND WASTEWATER TREATMENT

NON-REVENUE WATER MANAGEMENT

ENERGY

Rugading Power Station, Sabah

01 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 third most populous state with a population of approximately 3.8 million as at December 2019
- 44 Water treatment plants
- Total treatment design capacity of 2,026 MLD

Power Business in Sabah, Malaysia

- The largest IPP in Sabah, Malaysia
- Operates two 190 MW CCGT power plants in Kota Kinabalu Industrial Park
- 21-year PPA with SESB for the sale of up to 380 MW of electrical generating capacity and electricity production
- Total capacity represents approximately 32.5% of combined installed capacity of all IPPs in Sabah

02 CHINA

- Concession agreement with local authorities or industrial park management councils
- 12 Wastewater treatment plants ranging from 25-30 years
- Total treatment design capacity of 227 MLD

03 THAILAND

- 10 Water, wastewater treatment plant and reclamation water treatment plant
- Total treatment design capacity of 114 MLD

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 LEOW PEEN FONG
Independent Non-Executive Director

MS LOONG MEI YIN
Non-Independent
Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Independent
Non-Executive Director

AUDIT COMMITTEE ("AC") MEMBERS

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

(1) DATUK ABDULLAH KARIM
Member (Appointed w.e.f 18/04/2019)
Senior Independent Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

Note:
(1) Datuk Abdullah Karim was appointed as a member of the AC w.e.f 18 April 2019 in place of Ms Leow Peen Fong.

NOMINATING AND REMUNERATION COMMITTEE ("NRC") MEMBERS

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

TAN SRI AZMAN YAHYA
Member
Independent Non-Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

(2) GOVERNANCE AND RISK MANAGEMENT COMMITTEE ("GRMC") MEMBERS

MS LEOW PEEN FONG (CHAIRMAN)
Independent Non-Executive Director

(3) TAN SRI HAMDAN MOHAMAD
Member (Appointed w.e.f 18/04/2019)
Executive Director/President
and Chief Executive

DATO SRI LIM HAW KUANG
Member
Executive Director

ENCIK ABU TALIB ABDUL RAHMAN
Member
Independent Non-Executive Director

Notes:
(2) The Board of Directors of the Company has agreed to dissolve the Strategy and Investment Committee ("SIC") with effect from 18 April 2019. The responsibilities of the SIC have been consolidated into the responsibilities of the GRMC and investment proposals will be tabled to the Board directly.

(3) Tan Sri Hamdan Mohamad was appointed as a Member of the GRMC w.e.f. 18 April 2019.

LONG TERM INCENTIVE PLAN COMMITTEE ("LTIP") MEMBERS

DATUK ABDULLAH KARIM (CHAIRMAN)
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:
LTIP Committee was established by the Board of Directors on 26 February 2019

COMPANY SECRETARIES

MS LAU BEY LING
Chartered Secretary
MAICSA 7001523
Practising Certificate No:
201908004064

MS LEONG SHIAK WAN
Chartered Secretary
MAICSA 7012855
Practising Certificate No:
202008002757

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
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

Telephone No. : +603-78904700
Facsimile No. : +603-78904670

AUDITORS

MESSRS ERNST & YOUNG PLT
Chartered Accountants
PLT 202006000003
(LLP0022760-LCA) & AF 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

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 2019 ("FY2019").

FY2019 proved to be another challenging year as global and national economic growth remained affected by a wide range of unfavourable developments. Growth in China and India continued to moderate in FY2019, which has had a cascading effect on South East Asia, Malaysia included. Continued instability in commodities such as palm oil and oil and gas also proved to be negating factors. Malaysia's gross domestic product ("GDP") growth had moderated to just 4.3%, while still positive, was well below expectations.

Despite overall economic sluggishness, Ranhill as a leader in the environment and clean energy sector has continued to make good progress. In tandem with growing demand for water and clean energy, coupled with the various internal improvements achieved in the financial year, Ranhill maintained its growth momentum.

Various business and operational improvements have been achieved in FY2019 across both our water and power divisions, details of which are given in the President's Message and the Management Discussion and Analysis sections of this annual report.

Our business model is aligned to the Malaysian government's Shared Prosperity Vision 2030, which is centred on driving the nation's ambition to achieve sustainable growth along with fair and equitable distribution, across income groups, ethnicities, regions and supply chains.

We are encouraged and heartened by our accomplishments, which have been realised on the back of our circular economic business model, which emphasises long-term sustainability over quick profits and a triple bottom-line of economic, environmental and social ("EES") considerations, beyond just financial returns.

Progressively, we continue to set the benchmark for the industries in which we operate in, not just in Malaysia, but also in Thailand and China, where our business presence, beyond revenue and profits, contributes to the development of local economies and industries.

ALIGNING TO GLOBAL SUSTAINABILITY INITIATIVES

Ranhill has long espoused and practised business sustainability, which is clearly reflected in the four pillars of our Sustainability Framework. These pillars are Environmental Awareness and Perseverance, Contribution Towards Social Well-Being, Inspirational Workplace and Culture, and Enhancing Governance Across The Group.

In FY2019, we have gone further by aligning our sustainability approach to the United Nations Sustainability Development Goals ("UN SDG"). The UN SDGs are a collection of 17 global goals designed as a blueprint to achieve a better and more sustainable future for all. Ranhill has adopted several of these UN SDGs, which are provided in greater detail in our Sustainability Report 2019 ("SR2019").

The alignment to UN SDGs is a further reflection of our commitment to adopt international best practices and to better support globally recognised and established goals for the provision of clean water and energy.

Our adoption of these UN SDGs will serve to support our already comprehensive efforts in reducing exposure to sustainability related risks and in enhancing our brand equity and value with key investors and stakeholders. By adopting global best practices, our exposure and access to international investors is significantly enhanced as we continue to tap the global USD30.7 trillion sustainable investment market.

REVENUE	PROFIT FROM OPERATION	PROFIT BEFORE TAX
RM1.630 billion	RM276.7 million	RM236.3 million
+4.5%	+14.9%*	+35.6%*

* Based on adjusted 2018 figures (excluding non-recurring items)

DESPITE OVERALL ECONOMIC SLUGGISHNESS, RANHILL AS A LEADER IN THE ENVIRONMENT AND CLEAN ENERGY SECTOR HAS CONTINUED TO MAKE GOOD PROGRESS.

TAN SRI AZMAN YAHYA
Chairman/Independent
Non-Executive Director

Chairman's Statement

RECOGNISED FOR STRONGER SUSTAINABILITY PERFORMANCE AND GOVERNANCE

In June 2019, Ranhill on the back of our continued commitment to EES and good corporate governance was selected for inclusion in the FTSE4Good Index Series ("FTSE4Good").

We are pleased to have been included in the index, which is exclusive to only a select number of public listed companies in Malaysia out of the entire Bursa Malaysia universe that have met the index's high-standards for environmental, social and governance performance. Our inclusion in the index is a resounding affirmation of Ranhill's strong practice of corporate governance as well as ongoing efforts to improve its environmental and social performance.

Ranhill scored high on the Index's scorecard for its corporate governance practices including commitment to accountability, transparency, risk management, separation of powers between the Board of Directors and the Senior Management or Executive and for caring for its people.

This is an achievement given that the index's ESG inclusion criteria is based on global ESG models that draw from leading, international disclosure frameworks. These include the Global Reporting Initiative ("GRI") and Carbon Disclosure Project ("CDP"). Further, assessment are based on publicly available data, hence our inclusion in FTSE4Good also attests to the high-level of corporate transparency practiced at Ranhill.

Certainly, Ranhill has been tireless in creating value based on a triple-bottom-line approach and our efforts over many years have now gained greater recognition by the industry. We continue to increase the momentum of our sustainability and governance related efforts with each passing year and remain fully committed to cascading our values and philosophy across the industries that we operate in.

Sustainability governance has also been strengthened in FY2019, by the formation of the Ranhill Sustainability Working Group ("SWG"), a cross-functional team comprising members from all subsidiary companies. The team has been put together to drive sustainability efforts and strategies within their respective subsidiaries towards the realisation of related objectives and targets.

MOVING FORWARD

As economic conditions improve and the demand for clean water and clean energy grows, Ranhill is optimistic of continuing its growth momentum in FY2020. Renewable Energy ("RE") and cleaner energy has become key deliverables for Malaysia, and Ranhill is well equipped to capitalise on the emerging opportunities.

The world as we know it is beset with a wide range of sustainability related issues. These include climate change, global warming, water scarcity, pollution and access to clean water and clean energy. Ranhill, through its circular economic model has been providing solutions to these problems, and we shall continue to play our part in addressing the many concerns towards building a better world.

We recognise the growing movement across the world among businesses and countries towards RE sources as well as for reclaimed or recycled water. Our fundamental strategy is to be a catalyst in driving this evolving awareness in the markets we operate in. We aspire to be part of the global movement to shift businesses fundamentally toward sustainable operations.

We will continue to prioritise sustainability in our business and operational strategies; adopting a long-term value creation perspective that emphasises a triple bottom-line. We look to the future as a most challenging period for all, but also with belief, confidence and optimism that Ranhill will continue to show the way forward through viable, and sustainable solutions that deliver win-win outcomes.

ACKNOWLEDGEMENTS

On behalf of the board, I wish to express our heartfelt appreciation to our shareholders for your continued vote of confidence in our company. We would also like to 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 towards new horizons of promise and potential that await us in FY2020.

Thank you.

TAN SRI AZMAN YAHYA
Chairman/Independent Non-Executive Director

President's Message

Dear Shareholders,
I am pleased to present an overview of the highlights achieved and the progress made by Ranhill Holdings Berhad ("Ranhill" or "the Group") for the financial year ended 31 December 2019 ("FY2019").

TAN SRI HAMDAN MOHAMAD
Executive Director/
President and Chief Executive

President's Message

2019 proved to be another year of tremendous challenge with various macro-economic and socio-political factors impacting the economic growth of the nation as well as the water and energy sectors. Global trade wars between large economies, political instability in the Middle East, changes in government policies and conflicts between nations continued to have a negating influence on global and national growth.

In 2019, Malaysia's GDP growth was at 4.3%, attributed to unresolved trade tensions, a sharper-than-expected slowdown in larger economies, persisting market volatility as well as general uncertainty in the external environment coupled with muted business sentiments.

The Malaysian economy continued to see a lack of public and private spending. The lack of investment on much-needed infrastructure projects continued to have an impact on many sectors. Many vital programmes or projects such as Non-Revenue Water ("NRW") management, revisions to water tariffs, construction of water treatment plants to ensure sufficient treated water as well as power plants to meet increasing energy demand remain deferred.

Amidst the aforementioned backdrop, Ranhill has continued to persevere and exemplify resilience and excellence. Guided by our circular economy approach, we have continued to realise many business and operational highlights, which have further bolstered our industry reputation as a leader in sustainable water and wastewater solutions and the provision of clean energy.

Our circular economy approach has not just empowered Ranhill to remain sustainable in supporting business and operational performance, but also in ensuring we continue to make progress across a wide range of environmental and social aspects. Our approach is also in response to climate change, dwindling river water supply, continued pollution of water sources, high NRW levels and high personal water consumption levels.

Beyond benefitting Ranhill, our sustainability oriented objectives and strategies are centred on safeguarding water resources, and to develop a more robust and efficient water industry in Malaysia while promoting a stronger social consciousness towards water conservation. We look to play an active role in ensuring water security in Malaysia and in the other regions that we operate in.

From an operational perspective, under the asset light regime, Ranhill continues to distinguish itself as a water operator, meeting all KPIs set by Suruhanjaya Perkhidmatan Air Negara ("SPAN") also known as the National Water Services Commission. With this, SPAN has been continually renewing RanhillSAJ's operating license and is now in it's fourth operating period of 2018 – 2020 ("OP4").

We have set many industry benchmarks as a State water operator and have proven our capabilities while demonstrating financial sustainability. The Group's water services operations provide a stable revenue and earnings base as well as steady cash flows, which enables continued dividend returns for shareholders. We are aligned with the aspirations of both Federal and State governments, which is to improve the quality of water supply while ensuring sustainable operations.

As we progress, we remain on track towards realising our set targets, which is to have a 3,000 million litres per day ("MLD") water and wastewater treatment capacity, with 400 MLD stemming from international operations by year 2022 and to have a 1,000 megawatt ("MW") clean energy production capacity by the same period.

FINANCIAL HIGHLIGHTS

The Group's financial performance in FY2019 was on an uptrend. Cumulatively, the improvement in the performance of subsidiaries contributed to better results for FY2019.

In FY2019, the Group's revenue rose by 4.5% to reach RM1.630 billion while profit before tax and profit after tax were RM236.3 million and RM130.9 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.

The Board has declared a total dividend payout of 5.0 sen per share. Total dividend payout is RM53.4 million, which is equal to FY2018's dividend payout. In FY2019, Ranhill's dividend payout ratio is 65.8% in line with its commitment to return 50%-70% of earnings to shareholders via dividends.

MALAYSIA'S GROSS DOMESTIC PRODUCT ("GDP") **GREW BY 4.3%**

OUR 2022 TARGETS

3,000 MLD
water and wastewater treatment capacity

1,000 MW
clean energy production capacity

5th Annual General Meeting of Ranhill Holdings Berhad

OPERATIONAL HIGHLIGHTS & ACHIEVEMENTS

→ ENVIRONMENT SECTOR

In FY2019, we have continued to play a pivotal role in addressing the national issue of NRW.

Johor continues to have the lowest NRW level in Malaysia, which is just 17.23 m^3 per kilometre of pipe per day. In FY2019, Ranhill Water Services ("RWS") detected and resolved 53,429 leaks in Johor, saving an additional 30 MLD of treated water to bring the total to 310 MLD.

Consistent with our NRW master plan for Johor, we have implemented various strategic and action programmes to reduce NRW loss in the state.

As part of the accelerated NRW reduction programme, we have completed extensive pipe rehabilitation and pipe replacement works amounting to RM166 million. For the period of 2018-2022, RanhillSAJ received SPAN's approval for pipe rehabilitation and pipe replacement works amounting to RM935 million.

RanhillSAJ managed to commence the rehab program amounting to RM215 million and with this, we targeted NRW reduction to 23.5%

We address NRW through the District Metering Area ("DMA") approach. Under this is approach, a large water network is sub-divided into a number of smaller areas, each having between 500 to 1500 connections and their defined and permanent geographical and / or hydraulic boundary.

The DMA approach allows for continuous monitoring of isolated water supply networks. It enables rapid awareness of NRW issues and subsequent analysis and reduction activities to enable more efficient NRW management.

In Johor, 1,128 DMAs have been established which covers 95% of the total number of connections. This has allowed for a systematic means to address NRW within the DMAs through Active Leakage Control ("ALC") activities and advanced pressure management.

With 400 staff allocated for Johor, the whole state remains under constant NRW monitoring. We have ambitious NRW reduction targets for Johor, which is to reduce NRW loss to just 7.5% by 2024.

In Kelantan, through RWS, Ranhill has been operating for seven consecutive years in the state. Our meter refurbishment programme has resulted in more accurate meter reading and with that, an average increment of 50% in water consumption pattern. This translates to a total savings of 79 MLD for Air Kelantan Sdn Bhd.

Wastewater Treatment Plant, Amata City, Rayong

President's Message

In Thailand, through subsidiary Ranhill Water Technologies ("RWT"), Ranhill is leading the way in the reclamation and recycling of wastewater for industrial or commercial use.

RWT also completed its first sewage treatment plant project in Malaysia for Country Garden Pacific View at Forest City in Johor (known as STP4). The STP4 project is similar to our 7 MLD Reclamation Water Treatment Plant in Amata City Rayong, Thailand. Both are zero discharge plants and embody Ranhill's circular economy model. Total treatment capacity increased by 12% (12 MLD) in FY2019.

The completion of these projects will enable RWT to realise another strategic objective: generating reclaimed water i.e. water reclaimed from treated sewage for non-potable applications. We plan to expand the expertise and replicate the system to other industrial parks in Malaysia as well as in Thailand. To date, Ranhill via RWT has achieved 341 MLD, or 85% of the targeted 400 MLD figure for international water and wastewater operations.

→ POWER SECTOR

Our two power plants, the Teluk Salut Power Station and the Rugading Power Station have continued to meet their Equivalent Availability Factor ("EAF") or Availability Target, Heat Rate and Unplanned Outage Rate parameters. No major incidents occurred throughout FY2019.

Given the low generation capacity reserve margin between power supply and demand in Sabah state, our plants have been performing beyond par to ensure sufficient energy supply to the grid.

However, a claim for liquidated damage of RM1.47 million and overpayment of RM3.84 million was made by SESB for alleged events of failure to comply with dispatch instruction on 11 and 18 September 2019. We are disputing the claim and discussion is ongoing with SESB.

Having successfully revised its gas supply agreement to significantly reduce the risk of not meeting the Take or Pay obligation on the Annual Contracted Quantity of gas supply from PETRONAS, Ranhill Powertron continues to adopt various cost optimisation strategies in FY2019. These have yielded results with an overall reduction in operational expenditure.

Ranhill Powertron has actively submitted tenders and pursued various business opportunities in Malaysia and abroad. This includes participation in the Large Scale Solar 3 ("LSS3") tender in Malaysia, submission of a request for information for a potential project in Brunei as well as signing Memorandum of Understanding ("MoU") to explore opportunities in Indonesia. The MoUs allow Ranhill to collaborate with local partners to tap potentials in the mini-hydro, geothermal waste-to-energy ("WTE") and waste management segments. We look forward to these strategic efforts materialising in FY2020.

Similarly, having received favourable response from both the Malaysian and Thai governments for our 1,150 MW CCGT power plant in Kedah, which will supply electricity to southern Thailand, we look forward to further progress on the project in FY2020.

Further information of our highlights and achievements are provided in the Management Discussion & Analysis section of this annual report.

ISSUES & CHALLENGES AFFECTING BUSINESS OPERATIONS

RESPONDING TO CLIMATE CHANGE & WATER SCARCITY

The water industry continues to face various issues, many of which are beyond the Group's control. Factors such as decreasing rainfall in FY2019 in several catchment areas, likely due to climate change and other environmental factors, poses serious concern. Raw water yield especially for rivers supplying the southern part of Johor, has been rapidly dwindling.

In 2019, water rationing was imposed at critical areas in September and October 2019. However, water rationing is not a long-term viable solution as it burdens consumers.

As Johor's sole water supply operator, despite the challenges and difficulties, Ranhill is committed to ensuring treated water supply capacity is adequate to meet current and future needs. Projected water demand against the treatment capacity for every district in Johor is reviewed on a regular basis in planning and developing new Water Treatment Plants ("WTP")

REVENUE
Environment Sector
RM1.299 billion
+3.9%

REVENUE
Power Sector
RM330.9 million
+7.0%

towards ensuring a minimum reserve margin as per Key Performance Indexes ("KPI") established by water industry regulator, SPAN.

In addition, RanhillSAJ has submitted a list of proposed WTP and upgrading of existing plants to be implemented by Pengurusan Aset Air Berhad ("PAAB") in its Business Plan according to the respective Operating Period ("OP") for SPAN approval.

As we continue to educate stakeholders, especially water consumers on the impacts of climate change and the need for more efficient water consumption, we continue to implement various short and long-term strategies to ensure the sustainability of water supply in Johor.

RanhillSAJ has proposed new source works application to both the Johor State and Federal Governments. Groundwater tubewells have been built at our Lok Heng WTP in April 2019. We have also looked to tap off river storage ("ORS"). Applications have been made in 2019 to the state and federal governments to construct and build the Gembut ORS, Lok Heng ORS and Labong Raw Water Transfer.

We will continue to leverage on our long-standing industry experience and expertise, as well as tap innovative methods and new technologies to address changing weather patterns and other environmental impacts.

On a related note, we continue to take all measures to educate the public but ultimately it is the responsibility of individuals and communities to consume water efficiently. Spurred by this objective, we organised 68 various events targeted at schools and the community at large towards promoting sustainable water consumption centred on efficient water practices.

→ UPSTREAM RIVER CONTAMINATION

The issue of upstream contamination of rivers remains a perennial problem and one that is difficult to resolve as jurisdiction for enforcement action lies outside of RanhillSAJ's mandate as a water operator.

In FY2019, several rivers which supply water to our WTPs were affected by pollution. These were Sg Skudai, Sg Johor and Sg Benut. This resulted in 13 unplanned shutdowns of treatment plants leading to 287.75 hours of shutdown. Consequently, supply of treated water was affected.

Specific causes of water contamination at the aforementioned water sources were excessive ammonia content, sand mining activities, uncontrolled farming and agriculture activities, leachate overflow from chicken and pig farms and palm oil effluent.

Illegal activities in water catchment areas such as pyrolysis activity have exacerbated the problem. In addition, uncontrolled land clearing can cause soil erosion, especially during rainstorms with the washed silt finding its way into rivers and causing raw water deterioration. This was particularly evident at Sg Johor.

We continue to work closely with enforcement agencies and local authorities to tackle the problem. Our efforts in FY2019 have been effective, which has resulted in enforcement action being taken against perpetrators. However, more effective and tougher enforcement action is required to ensure cleaner river conditions.

→ LOW POWER RESERVE MARGIN IN SABAH

The existing low reserve generation capacity margin is unconducive for the Sabah power grid, as any unexpected failure of a large generation unit will affect grid stability. The situation also impacts scheduled maintenance works on our power plants as such works can only be undertaken once additional power supply becomes available on the grid.

Thus far, we have been able to manage the issue but we must remain cognisant that prolonged operational periods can affect plant operational performance going forward.

We look forward to the completion of the West-East transmission line in FY2021, which will increase the export of power. This will help alleviate the low power despatch situation presently faced. In the medium and long-term, we hope to see more industrial investments and economic development into Sabah, which will drive energy demand. We also look forward to hearing of a favourable decision regarding the cancelled Tawau geothermal project.

President's Message

→ CAPITAL EXPENDITURES ("CAPEX") REQUIREMENTS

CAPEX funding is not required for RanhillSAJ's operations in Johor, as under the WSIA, all water infrastructure upgrading, refurbishment and development works for WTPs and pipeline, will be entirely funded by PAAB. However, the construction of power plants and water assets overseas requires significant capital outlay. Financing is required and under the conventional Build-Operate-Transfer ("BOT") model, the concessionaire is required to fund the upfront development costs by either using borrowings or internally generated resources.

This is particularly evident in relation to our plans to expand in China. Our plans for China continue to be slowed by the moderate growth of the country, stiff competition amongst local competitors, tight bank controls and financing restrictions coupled with limited projects that can generate returns in excess of 12%. In other markets, we face similar challenges in raising capital albeit to a lesser extent and there are more growth opportunities available.

With regard to our power plants and overseas operations, we continue to refine our CAPEX programme. Our strategy is to raise financing through the capital markets as well as utilising a combination of bank borrowings as well as internally generated funds. We could also adopt a joint venture approach with reputable partners on a cost and profit sharing basis.

→ DEFERRED TAX APPEAL

Our third tax appeal for the Rugading Power Plant is currently being assessed by the Ministry Of Finance ("MOF"). Ranhill has been advised by the Ministry that the review process may be lengthy, as they require further input from technical and legal experts. We remain optimistic of the potential outcome.

We await the final decision by the Ministry and remain positive of the eventual outcome of our appeal.

▶ Gunung Pulai Water Treatment Plant, Johor

▶ Hefei Wastewater Treatment Plant, Industrial Park, China

NATIONAL LEVEL

Recorded an average loss of

5,929 MLD of treated water and focusing on reducing NRW to 31% by the end of 11th Malaysia Plan

OUR TARGET IN JOHOR

Reduce state-wide NRW levels to

7.5%

SAVE 323 MLD BY 2024

OUTLOOK & PROSPECTS

Ranhill's future remains bright.

Certainly, issues such as climate change, global warming, depleting water resources and other pressing matters do impact Ranhill. However, the same impacts are also felt by other businesses and industries. There is no one individual or entity who is unaffected by these macro-external forces.

The advantage that Ranhill has is that our business model, centred on a circular economy approach empowers us to proactively respond to these challenges. Our business model, our strategies, innovation and technology as well as sustainability oriented organisational culture enable us to chart the way forward to address these challenges and to realise business and operational sustainability. In the process, we can offer new and better solutions to the society, the nation and perhaps the world.

The Group is committed and strives for continuous improvement of our water and power operations that will enable us to secure license renewals for our water operations as well as to deliver on our power operations' concessions targets. The long term contracts and renewable license provides stable revenue and high earnings visibility with strong cashflow going forward. Water and power demand continue to increase annually and there are opportunities for domestic and regional expansion of our business model.

With regards to the water and wastewater industries, we are encouraged by the growing demand for good quality water for industrial applications in Malaysia and beyond. The focus for Ranhill continues to be on Thailand and neighbouring countries, as we leverage to the excellent operational performance of our existing assets to expand our presence. With a growing operational presence in Malaysia, Thailand and China, we have a proven track record in successfully building and managing related projects and servicing a diverse field of customers ranging from industries, municipalities, industrial parks, water authorities and more.

The Group has identified and is pursuing new opportunities in Thailand, mainly in other industrial parks. We are also actively considering a similar opportunity at an industrial park in Myanmar.

We are heartened that the Federal government has expressed commitment to address the nationwide NRW issue with the National NRW Reduction Programme under the 11th Malaysia Plan ("11MP").

President's Message

The government intends to reduce average NRW to 31% from its present 35%. The present NRW level is equivalent to an average loss of 5,929 MLD of treated water, which was sufficient to meet the water demand in Selangor at 3,316 MLD or Johor (1,320 MLD). This will entail the rehabilitation and replacement of approximately 41,560 KM of old pipes under a RM1.39 billion allocation.

Via the government grant scheme for NRW works, RanhillSAJ can determine and implement large-scale NRW programmes that will deliver significant impact in reducing NRW levels. This will also improve water pressure and the quality of the service delivered to customers. Combination of both funds from PAAB and the government grant will give RanhillSAJ benefits and opportunity to drive NRW level lower as per targeted in the OP4 Business Plan.

Our target in Johor is to reduce state-wide NRW levels to 7.5% by 2024. This is expected to save 323 MLD by 2024, which is equivalent to the amount of water being supplied to 323,000 homes daily. We will continue to implement our DMA approach and other conventional and technological solutions towards bridging the gap between the present NRW levels and the targeted 7.5% target.

With regard to the energy sector, the Malaysian government's continuous push with its policies in supporting the development of RE such as solar, hydro, biomass and WTE and etc. are in line with the aspirations of Ranhill as an environment and clean power player.

Our strategy to tap emerging opportunities will be to identify and collaborate with reputable and experienced local partners (fuel suppliers, landowners, equipment manufacturers) to develop competitive offerings and secure projects. We shall also identify and collaborate with experienced Engineering, Procurement and Construction ("EPC") Contractors for project tendering and implementation. This will be followed by identifying financiers that can provide competitive project financing.

ACKNOWLEDGEMENTS

In a most challenging but positive year, I would like to say thank you firstly to our employees who have once again, been a key driving force in Ranhill's continued growth.

Management appreciates the diligence and professionalism exemplified by our workforce. They are truly our greatest asset. We look forward to your continued contributions in elevating the Group to greater heights.

I also wish to thank my fellow members of the Board for their strategic guidance and wise counsel and extend the same to Ranhill's Senior Management for their leadership and ability in driving the Group forward.

In the same vein, I wish to also convey my gratitude to our many stakeholders including our bankers, investors, shareholders and regulatory for their continued support to Ranhill.

Thank you and together we will continue to achieve our set goals and milestones towards firmly establishing Ranhill as a leader in sustainable solutions to meet the world's needs for water and power.

TAN SRI HAMDAN MOHAMAD
Executive Director/
President and Chief Executive

Management Discussion & Analysis

▶ Semangar Water Treatment Plant, Johor

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

RM81.2 MILLION

NRW level stands at

24.11%

with savings of 35 MLD achieved in FY2019

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

17 MLD

from 10 MLD

Total wastewater treated by the Group:

341 MLD

Ranhill has achieved 85% of targeted 400 MLD from international water and wastewater operations.

Management Discussion & Analysis

OUR REVENUE CONTRIBUTORS

ENVIRONMENT SECTOR
RM1.299 billion
(FY2018: RM1.250 billion), a 3.9% increase

POWER SECTOR
RM330.9 million
(FY2018: RM309.4 million), a 7.0% increase

GROUP EARNINGS PERFORMANCE

Profit from operations increased to RM276.7 million (FY2018: RM240.7 million (Adjusted to exclude non-recurring items)), a 14.9% increase

Group cash position increased by 27.5% to RM453.9 million in FY2019

DIVIDENDS DECLARED

Total dividend payout of RM53.4 million
(FY2018: RM53.3 million)

KEY BUSINESS & OPERATIONAL HIGHLIGHTS

The key successes are elaborated as below:

- NRW savings of 35 MLD achieved for the financial year.
- Completed construction of 50,000 Population Equivalent ("PE") sewage treatment plant at Forest City, Johor.
- Completed two recent projects in Amata that contributed to the Ranhill's total treatment capacity in Thailand of 114 MLD (FY2018: 102 MLD).
- Inked collaboration agreement with Thailand's Treasure Specialty Co. Ltd ("TS Co") to develop a 1,150 MW CCGT power plant in Kedah; with 100% power generated exported to Thailand.
- Sembrong Barat RevoPlus Water Treatment Plant selected as Best Water Treatment Plant 2019 at MWA Award Panels 2019.

POWER PLANT PERFORMANCE

- Average heat rate of 8,596.30 kJ/kWh for Rugading Power Station. For Teluk Salut Power Station, average heat rate of 9,378.37 kJ/kWh for Block 1 and 9,405.72 kJ/kWh for Block 2. All these heat rate parameters are within the PPA limits.
- 95.32% and 94.12% Equivalent Availability Factor ("EAF") for Teluk Salut and Rugading Power stations respectively. Both outperforming their respective PPAs.

OVERVIEW OF GROUP BUSINESS AND OPERATIONS

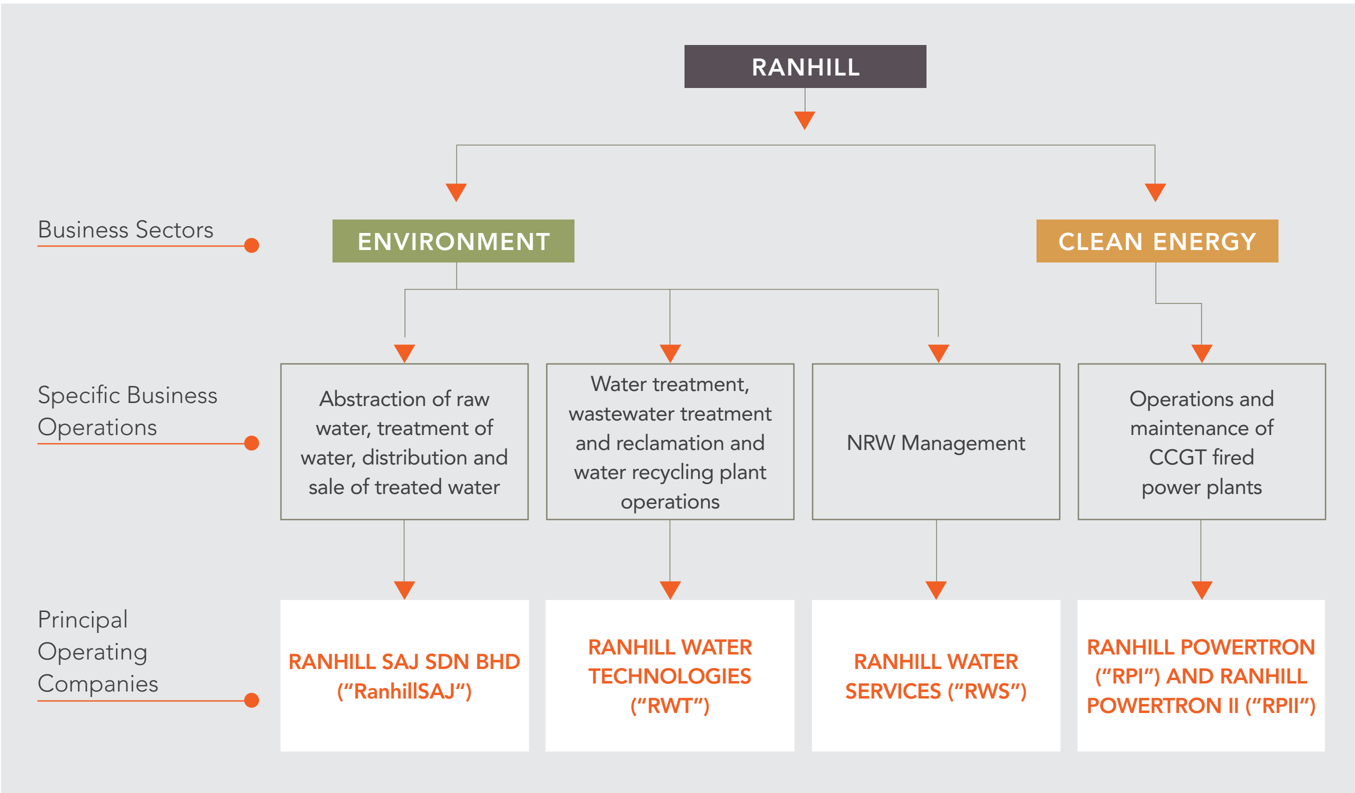
Ranhill Holdings Berhad ("Ranhill" or "the Group") operates within the Environment and Power sectors.

Under the Water Services Act 2016, Group subsidiary, RanhillSAJ is the sole exclusive operator in Johor. RanhillSAJ provides water supply services in the State and operates water, wastewater and reclaimed water treatment plants in Johor, Thailand and China. This includes provision of technical services in the management and optimisation of water utility assets.

The Group is also a leader in NRW Management across Malaysia and abroad. Ranhill environment businesses account for 80% of revenue with the balance stemming from its provision of clean energy in the state of Sabah.

The Group's power operations comprise the development, ownership, operation and maintenance of two combined CCGT power plants, which have a total electricity production capacity of 380 MW.

Wastewater Treatment Plant 15 MLD Plant No.4 Amata City, Rayong, Thailand



ENVIRONMENT SECTOR

PRINCIPAL BUSINESS OPERATIONS & COMPANIES

→ RANHILL SAJ SDN BHD

Ranhill SAJ Sdn Bhd ("RanhillSAJ") is involved in the principal business of raw water abstraction, treatment, distribution and sale in the state of Johor, Malaysia. RanhillSAJ's supply of water accounts for approximately 75.2% of Group revenue and it operates 44 WTP state-wide with a total treatment capacity of 2,026 MLD.

As at 31 December 2019, RanhillSAJ's network system comprises 689 reservoirs and 22,917 KM of pipelines that supplies treated water to the entire 3.8 million people in Johor as well as industries across the state.

With a low NRW rating of 17.23 m3/km/day, RanhillSAJ remains one of Malaysia's most efficient water operators, a fact further evidenced by Johor's low NRW levels of 24.1% in 2019.

Working together with RWS, which specialises in NRW reduction and management, RanhillSAJ has set a target of further reduction of Johor's NRW levels to 7.5% by 2024.

→ RANHILL WATER SERVICES

Ranhill Water Services Sdn Bhd ("RWS") is a leader in NRW management – having saved more than 586 MLD of treated water across various states in Malaysia and in Riyadh, Saudi Arabia.

Following is RWS' growing track record in reducing NRW in FY2019:

STATE/REGION	MLD
Johor	310
Melaka	59
Kedah	54
Saudi Arabia	54
Terengganu	50
Kelantan	43
Pahang	16

→ RANHILL WATER TECHNOLOGIES

As a systems integrator, Ranhill Water Technologies ("RWT") provides comprehensive solutions for a wide range water and wastewater treatment and reclaim water projects in Malaysia, Thailand and China.

To date, RWT operates 22 water, wastewater and reclaimed water treatment assets as well as undertakes operations and project maintenance of related assets. Most of these assets are operated on a Build-Operate-Transfer ("BOT") and Rehabilitate-Own-Transfer ("ROT") business model.

Presently, RWT operates 10 facilities in Thailand with a total aggregate capacity of 114 MLD. Concessions held range up to 2028-2043. Most of our facilities are based in the Amata Industrial Estate in the provinces of Rayong and Chonburi, Thailand.

In Malaysia, RWT successfully completed the design, build and commissioning of the 50,000 PE Sewerage Treatment Plant (known as STP4) at Forest City on 25 March 2019.

Since December 2016, the Group does not consolidate revenue from China operations, as it became a 40% associate company upon the divestment of its 60% equity stake.

POWER SECTOR

Via subsidiaries RPI and RPII, Ranhill operates and maintains two CCGT power plants, located in Kota Kinabalu Industrial Park.

RPI operates the 190 MW Teluk Salut Power Station while RPII operates the 190 MW Rugading Power Station. The former comprises four 30 MW gas turbines, four vertical heat recovery steam generators and two 35 MW steam turbines. The latter consists of two 65 MW gas turbines, two horizontal heat recovery steam generators and 60 MW steam turbines.

Cumulatively, the Group's power plants deliver up to 380 MW of energy, which is equivalent to approximately 32.5% of the total installed capacity of independent power producers ("IPP") in Sabah state. This makes Ranhill the largest IPP player in Sabah. The Group derives revenue from the sale of electricity generated to SESB as per the terms contracted under the PPA. RPI has a PPA for 21 years until 2029, while RPII's 21-year PPA is until 2032.

LONG TERM OBJECTIVES & STRATEGIES OF RANHILL

Ranhill, through its proven expertise, technological capabilities and excellent track record in producing sustainably sourced water and clean energy, is well positioned to meet the world's growing need for such resources. Operating amidst a competitive but expanding marketplace, the Group is making steady progress towards realising its principal strategic objective, which is to own and operate:

- → 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 Group also intends to achieve a more balanced revenue and earnings spread between domestic and overseas operations. At present, Malaysia operations from both the environment and power sectors account for 98.5% of revenue and 98.6% of profit after tax ("PAT") respectively.

GROUP REVENUE

RM1.630 billion

+4.5%

REVENUE

Water Consumption

RM1.226 billion

+2.87%

Specific strategies, objectives and aspirations related to Ranhill's business are as follows:

WATER OPERATIONS

- → Implementation of on-premises Hazard Analysis and Critical Control Point ("HACCP") system to ensure clean, safe and protected processing operations against any treated water pollution to the rest of 42 WTPs which is based on the basic concept of Good Manufacturing Practices ("GMP") and MS 1480 requirement.
- → Reducing water consumption in Johor state via collaboration with local authorities on water conservation initiatives. Specifically to reduce long-term water consumption in the state from its present 200 litres per capita per day to 180 litres per capita per day.
- → 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.

CLEAN ENERGY OPERATIONS

- → Development of new combined CCGT power plants in ASEAN region
- → Ongoing diversification into RE sources such large scale solar, hydro, geothermal and WTE.

GROUP FINANCIAL PERFORMANCE

→ GROUP REVENUE

In FY2019, driven by growing demand for water and energy, Ranhill posted a stronger revenue performance. Topline performance for the financial year was RM1,629.8 million, 4.5% higher (FY2018: RM1,559.9 million) year-on-year ("y-o-y").

RanhillSAJ showed a marked improvement in revenue performance on the back of growing water consumption in Johor state. Water revenue sales remain on an uptrend due to a wide range of factors. These include population growth, expanded water supply coverage and economic growth.

In FY2019, water consumption grew by 3.02% y-o-y. With that, RanhillSAJ in FY2019 recorded higher revenue of RM1.23 billion, 2.87% higher y-o-y. Similarly, both RWS and RWT also posted higher turnover for the financial year.

Our energy division also saw revenue growth on the back of increased electricity sold to the grid in FY2019. RPI and RPII registered higher revenue of RM214.3 million and RM116.6 million respectively, a 3.0% and 9.6% improvement y-o-y.

	FY2018 (RM'million)	FY2019 (RM'million)
Revenue	1,559.9	**1,629.8**
Profit Before Tax	174.3*	**236.3**
Profit Net of Tax	107.7*	**130.9**
Profit Net of Tax Attributable to Owners of The Parent	64.5*	**81.2**

* adjusted to exclude non-recurring items

	FY2018 (RM'million)	FY2019 (RM'million)
RPI	203.0	**214.3**
RPII	106.4	**116.6**

	FY2018 (sen)	FY2019 (sen)
Net Dividend Pay-out/ Proposed In Financial Year 2019	6.0	**5.0***
Earnings Per Share Attributable to Owners of The Parent	6.1**	**7.6**

	FY2018 (RM'million)	FY2019 (RM'million)
Total Dividend payout	53.3	**53.4**

* on enlarged Share Capital post bonus issue 1 for 5 in May 2019

** on adjusted earnings excluding non-recurring items

Management Discussion & Analysis

GROUP EARNINGS

On the back of stronger revenue growth and continued cost efficiencies, Ranhill saw profit before tax ("PBT") increase by 35.6% to RM236.3 million in FY2019. Group profit after tax ("PAT") was 21.5% higher at RM130.9 million.

Ranhill's environment sector delivered 85% of PBT with the balance stemming from the power sector. The Group's profit after tax attributable to owners of the parent had also grown by 25.9% to reach RM81.2 million (FY2018: RM64.5 million (adjusted to exclude non-recurring items)) in FY2019.

→ DIVIDENDS TO SHAREHOLDERS

Given the Group's sustained financial performance, the Board of Directors of the Group, in respect of FY2019 have declared a total dividend payout of 5.0 sen per share, amounting to a dividend payout ratio of 65.8%.

Since its listing, Ranhill has consistently met its dividend obligations in rewarding shareholders.

→ CAPITAL EXPENDITURES & CAPITAL REQUIREMENTS

The Group under its asset light regime does not require significant capital outlay. In FY2019, we have continued to prudently manage any CAPEX towards maintaining a healthy balance between business development and conserving our financial position.

CAPEX is, to a large extent determined based on various factors. These include availability of lower-cost financing, the viability of projects such as gestation periods before investments can be recouped, internal rates of return and future cash requirements.

→ ASSETS & LIABILITIES

The Group's cash position has grown to RM453.9 million, a significant 27.5% increase year-on-year (FY2018: RM355.9 million). Debt and bank borrowings remains at a healthy level with the Group's recourse gearing ratio at a relative low of 1.08 times. 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.

	FY2018 (RM'000)	FY2019 (RM'000)
Cash at banks and on hand	149,917	**99,309**
Short term deposit with licensed banks	205,959	**354,583**
Total deposits, cash and bank balances	355,876	**453,892**

Management is comfortable with the present gearing ratio going into FY2020.

Ranhills' asset position reduced attributed to the Group's concession assets with total assets decreased by 8.9% during the year to RM3.0 billion. The Group liabilities decreased by 13.1% to RM2.24 billion. The Group assets exceeded The Group liabilities by RM800.1 million.

→ ASSETS & LIABILITIES

ASSETS (RM'000)	FY2018 (RM'000)	FY2019 (RM'000)
Non-current	2,439,743	**2,112,760**
Current	895,830	**927,564**
Total Asset	3,335,573	**3,040,324**

EQUITY & LIABILITIES CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY	FY2018 (RM'000)	FY2019 (RM'000)
Share Capital	1,275,319	1,275,319
Total Equity Attributable to Owners of the Company	549,369	**582,244**
Non-Current Liabilities	1,869,357	**1,479,244**
Current Liabilities	709,465	**760,972**
Total Liabilities	2,578,822	**2,240,216**
Total Equity and Liabilities	3,335,573	**3,040,324**

→ **CASH AND BANK BALANCES**

	FY2018 (RM'000)	FY2019 (RM'000)
Net cash from operating activities	153,961	**349,921**
Net cash used in investing activities	(86,635)	**(61,223)**
Net cash used in financing activities	(10,986)	**(323,825)**
Net cash increase/(decrease) in cash balance	56,340	**(35,127)**

KNOWN TRENDS & EVENTS

ENVIRONMENT SECTOR

→ **Ranhill SAJ Sdn Bhd ("RanhillSAJ")**

In FY2019, RanhillSAJ continued to outperform the KPI for water quality compliance set by Malaysia's water industry regulator, SPAN.

WATER QUALITY PARAMETER	SPAN KPI Target	Achievement (Jan-Dec 2019)
Residual & Total Chlorine	99.00%	**99.88%**
Turbidity	99.70%	**99.97%**
Aluminium	95.00%	**97.99%**
E.Coli	99.85%	**100%**
E.Coli with Residual Chlorine	99.95%	**100%**

RanhillSAJ has also looked to comply with the following SPAN KPIs:

NRW PARAMETER	SPAN KPI Target	Achievement (Jan-Dec 2019)
NRW Percentage	23.9%	**24.1%**
Physical Loss (liter/connection/day)	296.0	**297.5**
Commercial Losses	1.0%	**0.1%**

However, we did not meet the KPI for Infrastructure Leakage Index ("ILI") which in turn influences NRW levels.

The KPI for ILI was not met largely due to continued delays of approvals for pipe replacement works, especially for excavation permits from PAAB and local councils. Without any major replacement of aging pipes, which are prone to leakages, ILI will remain an issue despite our various efforts to decrease levels and meet the set KPI.

In FY2019, actual ILI performance was at 8.4 and actual NRW level was at 24.1%, slightly exceeding the KPI of 23.9%.

Despite the delays on ILI related works, RanhillSAJ, together with the support of RWS, are confident of achieving ILI compliance going forward. The pipe rehabilitation and replacement works must be carried out eventually and this entails up to 183.2 KM of pipeline being replaced. This includes works delayed from FY2017 and FY2018 as well as newly identified leaks pipes.

In FY2019, 94 DMAs, have been identified and PAAB is to tentatively award the works by March 2020. The rehab program for FY2020 is expected to be implemented by the 3rd quarter of the year.

Taking into consideration the latest implementation status of pipe rehabilitation progress for FY2018 & FY2019, the NRW reduction target was adjusted to 7.5% by 2024. RanhillSAJ has submitted proposals for the pipe rehabilitation projects to PAAB up to FY2020, and RanhillSAJ's Technical Committee has also finalised the list of projects for PAAB's approval.

Management Discussion & Analysis

RWS has submitted several tenders and given our track record, we are positive of securing a sizeable portion of the said pipe replacement works in FY2020. With this, we foresee ILI levels complying with SPAN set KPIs and NRW levels consequently decreasing going forward.

Other methods used to arrest NRW were continued upgrading of the Geographical Information System ("GIS") and Hydraulics Modelling.

On a separate note, RanhillSAJ, in its strategic plan to increase water abstraction, treatment and distribution capabilities, has appealed to PAAB to expedite the implementation of the proposed 160 MLD Layang 2 WTP.

The 160 MLD Layang 2 (phase 1) WTP project has been tendered out by PAAB and awarded to identified winner and construction has commenced with works on schedule for completion by early FY2022.

RanhillSAJ's additional proposal to build a 50 MLD WTP package plant in Sg Johor continues to be deliberated by SPAN. We look forward to seeing a positive decision in FY2020 regarding the project as it is imperative that more WTPs be built urgently to ensure stable and sufficient water supply in Johor.

Following is a list of other WTPs, which have completed upgrading works or are in the process of being upgraded:

1. Upgrading of Sultan Iskandar WTP, Johor Bahru - Completed
2. Upgrading of Sembrong Barat WTP, Kluang - Completed
3. Upgrading of Sg. Lebam WTP, Kota Tinggi - Completed
4. Upgrading of Bukit Serampang WTP, Muar - Completed
5. Construction of Buloh Kasap WTP, Segamat - Completed
6. Construction of Pagoh WTP, Muar - Final stage of construction
7. Construction of Kahang WTP, Kluang - In progress
8. Upgrading of Pemanis WTP, Segamat - In progress
9. Construction of Layang 2 WTP, Johor Bahru - Works to commence by early 2020
10. Upgrading of Air Panas C WTP, Segamat - Works to commence by early 2020

In addition to the above, RanhillSAJ has also submitted a list of WTPs proposed for upgrading works to PAAB for inclusion into its Business Plan in respect of the OP Four for approval, by SPAN.

Given the many prevailing issues such as climate change, lack of rainfall and dry weather, upstream activities that cause river pollution, delay in pipe replacement works as well as NRW loss, the existing water infrastructure in Johor including WTPs must be expanded to ensure that treated water capacity can meet growing demands.

RanhillSAJ has and continues to initiate with SPAN and once plans are approved, the proposed, new plants will be built.

On a separate note, the Federal Government has made a decision to have Indah Water Konsortium Sdn Bhd ("IWK"), the national sewerage company take over maintenance and operations of all 206 STPS in Johor Bahru and Pasir Gudang from the Johor Bahru and Pasir Gudang Local Authorities commencing the first quarter of 2020.

Given inflation and rising cost of materials, RanhillSAJ has looked into various cost savings measures. One of the highlights of FY2019 is the introduction of a substitute chemical programme to reduce cost without compromising on standards set by the Ministry of Health ("MOH") Standards.

At the Sembrong Barat WTP, Polyaluminium chloride type 3 was replaced with Polyaluminium Chloride ("PAC") coagulant type 1. This offered a 23.8% cost reduction equivalent to RM0.78 million. Given the success of the implementation, the same will be implemented in more WTPs going forward.

Moving from operations to talent management and retention, we are pleased to share that RanhillSAJ secured the HR Asia Award – "Best Companies to Work For In Asia 2019", organised by HR Asia, a publication of business media international. This is the third year that RanhillSAJ has clinched the award after its previous two successes in 2014 and 2017.

The accolade is further attestation of our people focussed organisational culture and management approach that emphasises a conducive working environment centred on equal opportunity, training and development, employee health and satisfaction, career development and succession planning and constant two-way employee engagement.

→ RANHILL WATER SERVICES SDN BHD ("RWS")

As one of Malaysia's leading NRW management specialist, RWS works independently or in collaboration with RanhillSAJ towards addressing the serious issue of NRW in Malaysia. In recent years, RWS has been at the forefront of addressing NRW levels across Peninsular Malaysia.

In addition to executing contracts in hand, RWS continued to secure NRW related contracts in FY2019.

RWS continues to achieve steady progress on its RM2.5 million of contract to supply meters under the meter replacement programme, awarded by RanhillSAJ. The contract entails replacing supplying legacy meters with newer, more accurate and more durable electromagnetic meters ("EFM") and R800 metrology mechanical customer meters.

As at December 2019, 11,931 units of R800 meter and 109 units of EFM have been installed.

With these measures, improvements have been seen with NRW levels declining to 17.23 m3 per kilometre of pipe per day and thus saving an additional 30 MLD. Total volume saved has reached 310 MLD.

The use of semi-permanent noise loggers and correlators called 'SMART DMAs' together with the AquaSMART leak management system, has significantly enabled leak detection activities. In FY2019, we established another 43 DMAs to maintain 95% DMA's coverage and commercial loss monitoring coverage across Johor.

With these implemented measures, in FY2019, NRW levels in Johor reached to 24.1% (FY2018: 24.2%). RWS detected and resolved 53,429 leaks in Johor state saving an additional 30 MLD to bring the total to 310 MLD.

In February 2019, PAAB awarded two pipe replacement contracts in Kota Bharu and Tumpat, Kelantan respectively. The Kota Bharu contract has a value of RM18.59 million while the Tumpat contract, is worth RM4.97 million. Both contracts entail replacing ageing pipes with new piping, made from more sustainable and robust materials that are less prone to leakages and has a longer lifespan.

The jobs cover a wide stretch of piping length, stretching 7.6 KM (Tumpat) and 49.85 KM (Kota Bharu). We are happy to report that despite various challenges faced, works progress as per schedule and remain on track for slated completion within the stipulated contract period.

We also continue to effectively address commercial water loss in Kelantan via our meter refurbishment programme and meter reading services. Reports show that post installation of the metres and with consistent and accurate meter reading, most areas have seen an average increment of 50% in water consumption pattern. This translates into approximately 98,000 m^3 of water saved for Air Kelantan Sdn Bhd.

FY2019 marked RWS' seventh year of successful operations in Kelantan, which clearly bolsters the company's reputation as a proven and capable player for NRW in the state.

→ RANHILL WATER TECHNOLOGIES SDN BHD ("RWT")

FY2019 was the 3rd year of RWT's Strategic Turnaround Plan. In progressively reshaping RWT into a leader in water and wastewater treatment, the turnaround plan is centred on five strategic thrusts: profit enhancement, new and existing market expansion, operational efficiency enhancement and increased brand awareness.

The plan has successfully driven a transformation of RWT towards realising commercial viability and business sustainability. In FY2018, RWT returned to profitability and continued to build on the success achieved. In FY2019, RWT registered another year of positive financial performance on the back of various projects secured in Malaysia.

Total treatment capacity increased by 12% (12 MLD). The bulk of this new capacity is contributed by the new Reclamation Water Treatment Plant in Amata City Rayong and the balance from increasing capacity of existing concessions.

PROJECTS (MALAYSIA)	CONTRACT VALUE (RM)
→ Engineering, Procurement, Construction, Testing and Commissioning ("EPCC") of 5 m^3 / hour Containerized Water Treatment Plant (Mobicell) for Humanitarian Aid to Palu, Indonesia	**0.315 million**
→ Restoration and Refurbishment Works for Communal Septic Tank A, B dan C at Bukit Bendera, Timur Laut District, Pulau Pinang	**2.472 million**
→ EPCC of 2 units of Containerized Water Treatment Plant (Mobicell) for Kedah	**1.11 million**
→ EPCC of M&E Works and All Associated Works at RanhillSAJ WTP	**12.5 million**
→ Revofilter Refurbishment Work at Bandar Tenggara WTP, Kota Tinggi	**0.1940 million**

In Thailand and China, RWT via its subsidiaries secured renewals of existing tenures and construction in progress for FY2019 as follows:

PROJECTS (THAILAND & CHINA)	CONTRACT VALUE
→ 20-year Rehabilitation-Own-Transfer ("ROT") renewal O&M contract for the 10 MLD WWTP2 in Amata City Rayong.	Estimated value: THB 0.88 million/month Total Rehabilitation value: THB 17.464 million
→ 20-year ROT renewal O&M contract for the 10 MLD PWTP2 in Amata City Rayong.	Estimated value: THB 0.79 million/month Total Rehabilitation value: THB 21.829 million
→ In Fengxin, Jiangxi Province, China, RWT's local subsidiary was awarded an additional 34 MLD of Wastewater Treatment Plant through Takeover - Operate - Transfer ("TOT") contract with long-term concession period to 2048.	Estimated value: RMB 0.733 million/month Total Construction value: RMB 122.96 million
→ 10 MLD Yihuang Wastewater Treatment Plant, Phase II on a BOT contractual basis with long-term concession period that stretches to 2048.	Estimated value: RMB 0.992 million/month Total Construction value: RMB 38.35 million

In addition, FY2019 saw the completion of the new 7 MLD Reclamation Water Treatment Plant in Amata City Phase 4 Industrial Estate in the province of Rayong, Thailand. Capacity expansion works at our existing Amata City Plant No.4 from 10 MLD to 15 MLD in Amata City Industrial Estate was also completed in FY2019.

With the completion of this project, Ranhill has two water reclamation projects in Thailand. Our capacity expansion projects in Thailand enables Ranhill to generate water sales of over RM535.62 million over the concession period.

On March 25th 2019, RWT completed construction of the 50,000 PE Sewage Treatment Plant for Country Garden Pacific View at Forest City, Johor. The project utilises a Sequential Batch Reactor ("SBR") system for the main biological treatment process to treat influent to required standards.

SBR offers higher flexibility, better control, easier monitoring, is less prone to upset and offers higher organic removal efficiency for biological treatment. The STP4 project was also a turning point for Ranhill as it enabled us to venture further into the domestic wastewater treatment sector. Both Forest City and Amata City plants produce zero discharge and reflect our circular economy approach to water and wastewater management.

To date, Ranhill via RWT has achieved 341 MLD, or 85% of its targeted 400 MLD for international water and wastewater operations.

COMPLETED PROJECTS IN FY2019	CONTRACT VALUE (RM)
→ Forest City STP4	**42.4 million**
→ 7 MLD Reclamation Water Treatment Plant in Amata City Phase 4 Industrial Estate in the province of Rayong, Thailand	***21.205 million**
→ 5 MLD capacity expansion works at Amata City Plant No.4 in Amata City Industrial Estate, Rayong Thailand.	***9.09 million**

** Conversion of original value from Thai baht into ringgit equivalent as per conversion rate dated December 31st 2019.*

Aside from Thailand and China, we continued to expand into new markets. On 26 November 2019, Ranhill inked several MOUs with PT Jasa Sarana in Indonesia to explore potential opportunities arising from various environmental projects. We are presently conducting due diligence and evaluating the feasibility of said projects in the country.

Apart from sewerage services, RWT continues to offer diversified products and services such as existing package plants and dewatering tubes. Another highlight is RWT's recertification to the latest ISO 9001:2015 standard by SIRIM, the nation's leading standards and certification organisation and by UKAS United Kingdom. RWT has also embarked on attaining ISO 45001: 2018 certifications by 2020-2021.

POWER SECTOR

In FY2019, both RPI and RPII which operate the Teluk Salut Power Station and the Rugading Power Station respectively once again outperformed their PPA targets. RPI achieved an EAF of RPI = 95.32% (PPA Target: 87%) while RPII achieved an EAF of 94.12% (PPA: Target 94%).

The steady performance of the power plants in meeting their respective availability targets attests to the commendable operation and maintenance practices undertaken by the companies.

→ EQUIVALENT AVAILABILITY FACTOR/AVAILABILITY TARGET (%)

	FY2018	FY2019
RPI	92.94	**95.32**
RPII	96.47	**94.12**

→ TOTAL UNIT OF ELECTRICITY DELIVERED TO THE GRID (GWH)

	FY2018	FY2019
RPI	1,175	**1,279**
RPII	1,077	**1,058**
TOTAL	**2,252**	**2,337**

Across both RPI and RPII, various cost optimisation activities were implemented towards reducing operational and maintenance expenditure. One of which was the successful renegotiation of Long Term Service Agreement contract for plant maintenance. This has yielded significant cost savings during FY2019 with the benefits being enjoyed throughout the remaining concession period.

Beyond operational excellence, Ranhill's power division continued to seek opportunities within Sabah state and elsewhere to build or acquire gas powered and renewable energy power projects.

In March 2019, a collaboration agreement was signed with Thailand's Treasure Specialty Co Ltd for the proposed development of a 1,150 MW CCGT power plant. The proposal was presented to the potential offtaker, Electricity Generating Authority of Thailand and the Malaysian government who expressed support towards the project. We are optimistic that an MoU between both governments to facilitate further progress can be achieved before the end of FY2020.

On a related note, Ranhill participated in the Malaysian Government's LSS3 tender called by the Suruhanjaya Tenaga, Malaysia ("ST") or Energy Commission of Malaysia in August 2019. Close to 112 parties submitted their bids. The outcome of the competitive LSS3 tender was announced in December 2019 and Ranhill was not one of the shortlisted bidders. Nevertheless, it served as a learning experience for future opportunities.

NEW STRAITS TIMES

3 minute read

Ranhill and Indonesian firm to explore power and waste management projects in West Java

[front row, from left to right] Ridwan Kamil, Governor of West Java Province, witnessing the signing of the MoU between Tan Sri Hamdan Mohamad, President and Chief Executive of Ranhill Holdings Berhad and Dyah S H Wahyu Sari, Director, PT Jasa Sarana.

▶ By NST Business - 27 November 2019

Outside of Malaysia, we actively pursued power generation opportunities. In Brunei, we submitted a RFI for a 30 MW solar power plant to be developed by the government. In Indonesia, a country with burgeoning growth and huge demand for power generation, we signed a collaboration agreement with PT Jasa Sarana of Indonesia, for the development of a 45 MW geothermal power plant as well as a 6 MW mini hydro project. We also signed a MoU with the same party for the development of a regional waste management and final processing project in the West Java Province.

ISSUES AFFECTING GROUP BUSINESS OPERATIONS & PERFORMANCE

While the Group has achieved many objectives in FY2019, we have continued to face various issues and challenges that have impacted operations across our environment and power divisions.

COMPANY	ISSUE	MITIGATION MEASURES
RanhillSAJ	→ Reducing Rainfall & Low River Water Levels Reduced rainfall leads to less water in rivers, which impacts the volume of water available for abstraction, treatment and supply.	In FY2019, several water-rationing exercises were conducted in response to lower rainfall. The rationing was done in phases involving the Endau, Gembut, Lok Heng and Simpang Renggam WTPs. Measures such as tapping groundwater, of which Johor has a relatively large reserve, has been pursued to alleviate water shortage, given that the issues of climate change and changing rainfall patterns appear to be increasingly frequent in occurrence. RanhillSAJ continues to conduct groundwater mapping exercises using Aerial Electromagnetic Survey technology. The results of our efforts have revealed a wide range of suitable locations to tap ground water. We have submitted new source works application to the relevant authorities, both at state and Federal level to tap these opportunities. We are pleased to inform that approvals have been obtained for laying three groundwater tubewells at Lok Heng WTP. Applications to local government have also been made to construct ORS facilities at Gembut ORS, Lok Heng ORS and Labong Raw Water Transfer.
	→ Raw Water Contamination & Pollution Pollution from industrial discharge, agriculture, sewerage and domestic discharge as well as untreated palm oil effluent, remains a major issue. In FY2019, high ammonia levels, sand mining activities and overflow from pig farming ponds – far above the set threshold for raw water treatment. This caused temporary unplanned shutdowns at several of our WTPs. Operations resumed once the level of water contaminants had reduced below the threshold level.	We continue to work closely with local authorities to identify polluters and to educate them on the damaging impact of their actions. Serious offenders are reported to authorities for enforcement action.

Management Discussion & Analysis

COMPANY	ISSUE	MITIGATION MEASURES
RanhillSAJ	**→ Water Theft** As at 31 December 2019, RanhillSAJ identified a total of 9,620 cases under Section 89 and Section 123 of the Water Services Industry Act 2006 (Act 655).	In FY2019, RanhillSAJ's special enforcement unit under the purview of the Customer Service Department was upgraded to include a specially formed and tasked Enforcement & Preventive Section. A total of 38 new staff have been appointed, bringing the section's staff strength to 50. Of the 9,620 cases identified, 51 cases were filed for SPAN action while the remaining 9,569 cases were resolved successfully at the RanhillSAJ level. Over RM0.910 million in water loss charges were imposed on offenders with RM0.795 million have been collected thus far.
	→ Domestic High Water Consumption Per Capita Per Day Malaysia, specifically Johor continues to have a high water consumption per capita rate even exceeding the World Health Organisation ("WHO") recommended consumption of 180 litres per day per capita. Water consumption in Johor presently stands at 200 litres per day.	Beyond raising water tariffs, we continue with our community engagement and education efforts towards promoting water conservation and reduced consumption. Through the Water Education & Consumerism program for 2019, RanhillSAJ has reinforced the dissemination of key water conservation messages via interactive exhibitions, townhall sessions and the distribution of over 15,000 water-saving devices to the local community. We also continue to address the issue of NRW in Johor and work closely with the authorities towards reducing the present consumption of 200 litres per capita per day to 180 litres per day.
RWS	**→ Delays in Pipe Rehabilitation and Pipe Replacement Works** Delays in works lead to further NRW loss and other issues, including reduced water pressure. This results in increased quantities of water requiring to be treated and consequently greater stress on existing water sources	We continue to engage SPAN and the state government to accelerate approvals for the necessary works, presenting a strong business case that demostrates the significant reductions in NRW that can only be achieved through pipe rehabilitation and pipe replacement works. RWS has incorporated new technologies such as online web-based monitoring system AquaSMART, permanent correlators for SMART DMA and also introduced best practices for HDPE pipe installations to facilitate a highly effective pipe replacement programme. RWS continues to lead the industry by developing best practices for the installation of high density polyethylene ("HDPE") pipes. In emphasising on developing best practices for the installation of HDPE pipes, RWS has remained a vanguard in the industry.

COMPANY	ISSUE	MITIGATION MEASURES
RWT	→ Complicated Incoming Wastewater Wastewater is produced by a wide range of industries and sources. This is most evident for our WTPs operating in the Amata Industrial Estate. RWT's challenge is to treat incoming wastewater to grade to ensure the quality is suitable for non-potable water reclamation.	RWT employs best practices, tapping on its long-standing industry experience and inherent expertise and technologies to ensure it is capable of treating a diverse range of wastewater with varying characteristics and specifications. Thus far, all wastewater treatment plants have been operating at optimal performance.
RPI & RPII	→ RPI & RPII Postponement of New Power Plant Construction Despite the low reserve margin between power generation and demand in Sabah, there has been no concrete plans for the development of new power plants in the state as yet. The above affects scheduled maintenance works on our Teluk Salut and Rugading power plants as such works can only be performed once additional electricity generated becomes available on the grid. Delays in maintenance may cause operational issues in our power plants, which could result in equipment failure or the reduced or total disability of the plant to despatch power.	We continue to adopt various strategies to manage and mitigate this challenge. We are pleased to report that there have been no major issues in our power plants as reflected in the plants' availability parameters. We have turned this challenge into an opportunity by being able to despatch more power, increasing the load factor of our existing power plants especially RPII. This also presented an opportunity for us to negotiate with SESB to propose the PPA extension for RPI beyond 2029. We are finalising the technical details to develop a proposal that will mutually benefit Ranhill and the Sabah grid network.
RPI & RPII	→ Low Load Factor RPII experiences low load factor when new power plants entered the Sabah grid over the past 5 years.	As energy demand continues to increase and with no immediate plans for construction of more power plants, the load factor should progressively improve. With the upgrading of the existing West-East transmission line completed in 2021, the transmission capacity for power transfer between West to East Coast of Sabah will double. This is expected to further improve the load factor.

COMPANY	ISSUE	MITIGATION MEASURES
	→ Change in Law and Government Regulations Changes in government policies (limitation of duration to utilise Investment Allowance for Service Sector or IASS) is a challenge as it would cause a deferred tax asset impairment If the Group's appeal for a tax waiver is not approved by the Ministry of Finance, Ranhill will incur higher taxation post FY2026 and with impairment to the DTA.	RPII has submitted its third appeal, which is being duly considered by MOF. We are optimistic of the eventual outcome.

HEALTH, SAFETY, THE ENVIRONMENT & SUSTAINABILITY

We are committed towards bolstering our track record as an industry leader for sustainable environmental and social workplaces. As a direct result of our efforts in FY2019, various achievement and improvements were realised. This included the health, safety and wellbeing of our staff, improvement in greenhouse gas ("GHG") emission efficiency and intensity and others.

The Group was successfully included in the Bursa FTSE4 Good Index. The FTSE4Good is an index comprising selected companies who qualify for inclusion based on their commitment to and their realisation of sustainable business practises as identified from a set of economic, environmental and social issues.

The full details of our sustainability performance, including our commitments and targets for health, safety, the environment and society are given in our separately published SR2019, which can be downloaded from the Ranhill's website.

BUSINESS RISKS

Given that the Group's principal business activities, operations and strategies as well as location of operations did not change in FY2019, our business, strategic and operational risks remain relatively unchanged.

Management remains cognisant of its risk factors and continues to adopt the appropriate mitigation measures as well as manage these risks according to industry best practices. A comprehensive risk register is maintained and updated accordingly. A robust internal risk management framework has been implemented Group-wide that enables risks or potential risks to be quickly identified at the working level and necessary action taken.

The Group adopts a triple-tier of defence in managing and mitigating risk and is aided by strong governance frameworks, structures and limits of control and authority. The Board has full oversight over the Group risk via its Governance and Risk Management Committee ("GRMC") who in turn is supported by the working level, Management Assurance Risk & Compliance Committee ("MARCC").

For full details on the Group's risk management approach including implemented risk management frameworks, processes and organisational structure, kindly refer to the Statement of Risk Management & Internal Control ("SORMIC") in this annual report. Following is Ranhill's disclosure and mitigation measures pertaining to risks.

RISKS	DISCLOSURES
Industry Risks Relating to Our Power Business	
Our ability to successfully generate power and deliver the required energy to SESB 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; → 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.	In mitigating such risks, both RPI and RPII adhere to the recommended manufacturers' prescribed maintenance plan and schedule. The schedule provides for timely and appropriate action to be implemented. Other prevention action include periodic equipment inspection to identify operational irregularities through the plant Distribution Control System ("DCS"). Further, sufficient spare parts are stored for any eventuality while our power operations can also leverage on the support services of OEM companies. Continuous training for maintenance staff in constantly improving troubleshooting skills and capabilities is regularly provided, especially for 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. We continue to work closely with local enforcement authorities in curbing discharge of waste/pollutants into the Johor's rivers.

OUTLOOK AND PROSPECTS

ENVIRONMENT SECTOR

The Group's prospects are promising going forward, though we foresee operating conditions to remain challenging.

There is an increasing momentum among businesses and industries to adopt more sustainable business practices. Businesses today are expressing increased concerns about the environment notably with regard to water consumption, wastewater management and their power consumption as well as energy sources.

The water and wastewater industry is expected to maintain a 6% Compound Annual Growth Rate ("CAGR") from 2017-2022. In recent years, governments and businesses have continued to expressed a growing concern for the environment and with that, there has a been positive shift towards water conservation, preventing NRW loss, and the use of treated waste for commercial application. The number of industries expressing interest to use such non-potable water for various industrial processes continues to rise, both locally and abroad.

Management Discussion & Analysis

Given the above-mentioned scenario, we remain confident of realising our set targets of 3,000 MLD of water and wastewater treatment capacity by 2022, of which 400 MLD will be derived from international business operations. To date, Ranhill via RWT has achieved 341 MLD, or 85% of the targeted figure.

Moving forward, our focus shall be in the following key areas:

→ NRW MANAGEMENT

Preventing NRW loss and reducing water consumption per capita are more sustainable, long-term measures compared to increasing the production of treated water. amount of water treated. The supply of raw water will remain on the decline and treating water source from the intake will continue to increase over time.

Our focus on NRW is also aligned with the Federal government who has also recognised and affirmed that NRW reduction is critical to national water security. We welcome the decision from the recent SPAN organised NRW workshop that indicated continuation of the existing matching grant allocation scheme. We also look forward to the government approving plans to combine the present grant scheme with a new proposal that will provide full grants to water operators.

RWS has participated in various tenders especially in the National NRW Program to support the initiatives that the government has planned. However, in truly addressing the nationwide NRW issue, the national NRW Plan needs to be implemented with greater urgency. The programme is vital towards addressing the nation's serious and prolonged NRW issues, which is impacting water supply nationwide, not forgetting considerable revenue loss.

Thus far, 10 packages have been tendered involving states with NRW levels exceeding 40%. The awards will be made in the first half of 2020 and we look forward to getting at least one package. RWS has been approached by the states of Perlis and Pahang to conduct NRW works. Specifically for Perlis, RWS has successfully secured the GIS and SIV meter scope of works under BDB Synergy Sdn Bhd valued at RM3.9 million. Additionally, RWS has also submitted a tender to BDB Synergy Sdn Bhd for customer meter replacement works.

Implementation of the programme will also yield other ensuing benefits across the value chain. These include improvements to the water supply operations, especially treated water production, customer billing and collections and more. Hence, NRW must be considered as part of the overall efforts to ensure water security for Malaysia.

→ OPPORTUNITIES IN RECYCLED WASTEWATER

As the Malaysian government continues to develop more high-tech, industrial parks and manufacturing centres nationwide, there is likely to be an increased demand for WTPs and WWTPs catering to new and upcoming industries as well as industrial centres.

This development supports our efforts to increase the wastewater treatment capacity from our WWTPs in Malaysia, Thailand and China. It may also present opportunities to embark on water reclamation and municipal waste management. Ranhill has presented water reclamation capabilities to various parties.

Our proven track record in Thailand and now Forest City, provides us with an excellent launchpad to move into other industrial parks in Thailand as well as neighbouring countries in Indochina. Myanmar, in particular offers exciting potential but there are also challenges to navigate such as local business regulations, the lack of supporting infrastructure, suitable local business partners and more.

POWER SECTOR

The world continues to see growing demand for energy generation with a growing shift towards RE sources. The Malaysian government's continuous push in support of RE such as solar, hydro, biomass, etc. are in line with Ranhill's aspirations as an energy producer.

Ranhill's focus would be to provide cost-effective energy solutions that provide clean electricity at sustainable prices.

However, while there is a strong push for RE, the intermittent and limited nature of RE sources such as solar and mini hydro, effectively means that conventional alternatives such as CCGT are very much still required going forward.

Ranhill has, and will continue to participate in opportunities as they arise. Rather than wait for tenders to be called, we are proactively proposing solutions to governments where we believe power generation. Our proposals beyond technical specifications may also include financing solutions towards addressing the government's challenge of funding such projects.

Similarly for RE projects i.e. solar, our ability to offer competitive proposals will centre on the availability of cheaper financing and the Group's appetite to settle for lower than expected equity returns.

Despite the cancellation of the Tawau Geothermal Project, we hope the Federal and State governments will reconsider their decisions going forward. Given the low generating capacity in Sabah, especially East Sabah, the grid can benefit from this project towards providing a more stable base load.

We are also looking at extending the existing concession at our Teluk Salut Power Plant beyond its existing concession end-2029. We intend to commence negotiation with the government for the PPA extension in 2020. We are of the view that a continued competitive tariff will hold us in good stead in renegotiating an extended tenure going forward.

We also look forward to securing approval from both the Malaysian and Thai governments for the development of our 1,150 MW CCGT power plant in Kedah, which will export power to southern Thailand. The project is an excellent solution to meet the development needs for Thailand's underdeveloped Southern region. It is cost competitive, technically feasible and will spur socio-economic development i.e. job creation, infrastructure development and other benefits to stakeholders on both sides of the border.

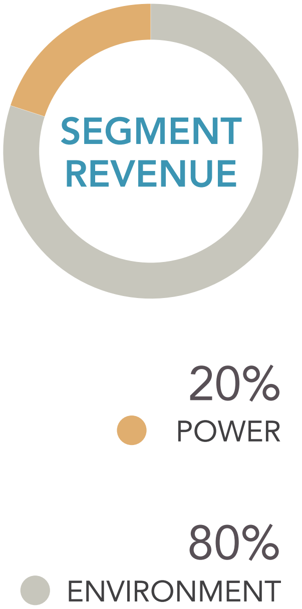
In IndoChina, we shall continue exploring CCGT potentials, specifically in Myanmar.

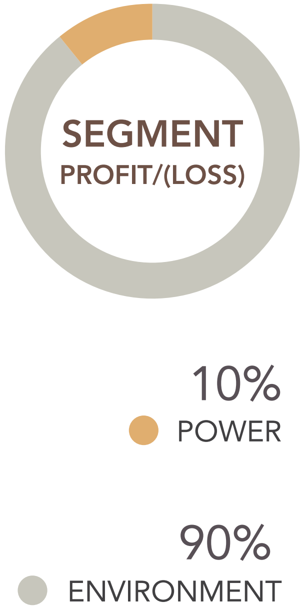
Pertaining to solar, Ranhill will participate in the Malaysian government's LSS4 exercise when it is called. We have commenced with preliminary works such as holding discussions with landowners, potential EPC contractors and financiers to ensure the most competitive tariff is achieved towards submitting a winning bid.

The Group is also in discussion with its subsidiaries to install ground-mounted solar PV or rooftop solutions to be installed in the latter's respective facilities. The business will be based on the Nett Energy Metering and / or Solar PPA concept where RanhillPower will develop, finance and operate the solar PV plants on a long-term basis. Subsidiaries stand to benefit from a stable tariff over the long-term, which enables them to better plan their budget requirements going forward.

Rugading Power Station, Sabah

Group Financial Highlights





REVENUE (RM'000)

1,629,831

FY2018 : 1,559,856
FY2017 : 1,478,719

PROFIT FROM OPERATION (RM'000)

276,681

FY2018 : 240,733*
FY2017 : 233,808

NET PROFIT FOR THE YEAR (RM'000)

81,161

FY2018 : 64,508*
FY2017 : 72,352

SHAREHOLDERS' EQUITY (RM'000)

582,244

FY2018 : 549,369
FY2017 : 582,165

	FY2017 restated RM'000	FY2018 RM'000	FY2019 RM'000
Revenue	1,478,719	1,559,856	**1,629,831**
Profit from operation	233,808	240,733*	**276,681**
Net Profit for the year	72,352	64,508*	**81,161**
Weighted average number of ordinary share ('000)**	1,065,975	1,065,975	**1,065,975**
Basic earnings per ordinary share (sen)	6.79	6.05	**7.61**
Total Asset	2,732,650	3,335,573	**3,040,324**
Shareholders' Equity	582,165	549,369	**582,244**
Net Asset per share	0.55	0.52	**0.55**

Note:

* Adjusted to exclude non-recurring items.

** Enlarged share capital due to bonus issue @ May 2019 (without consideration) is treated as if it had occurred at the earliest presented period as to provide a comparable result.

Sustainability Statement

OUR FY2019 SUSTAINABILITY STATEMENT IS A CONCISE NARRATIVE OF THE RANHILL HOLDINGS BERHAD (“RANHILL” OR “THE GROUP”) SUSTAINABILITY REPORT 2019 (“SR2019”).

The full report is available for download via: https://www.ranhill.com.my/sustainability/sustainability-report/.

The purpose of this statement is to provide readers with a condensed or abridged account of the Group’s sustainability journey in FY2019. This includes the challenges faced and the progress made in the practice of the Group’s circular economy model, and the continued realisation of its four sustainability pillars: Environmental Awareness & Perseverance, Contribution Towards Social Wellbeing, Inspirational Workplace & Culture and Enhancing Governance Across the Group.

The report covers the financial year of 1 January 2019 to 31 December 2019 (“FY2019”). Where available, three years of data have been provided.

As in previous years, the reporting scope and material boundary of this statement follows the SR2019. The SR2019 and this statement covers operations or aspects of operations of the holding company and all major subsidiaries. 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.

Sustainability Statement

OVERVIEW

→ RANHILL'S FOUR PILLARS OF SUSTAINABILITY

Ranhill's approach to sustainability remains aligned to its practice of the circular economy model and its four sustainability pillars. These pillars are Environmental Awareness & Perseverance, Contribution Towards Social Wellbeing, Inspirational Workplace & Culture and Enhancing Governance Across the Group.

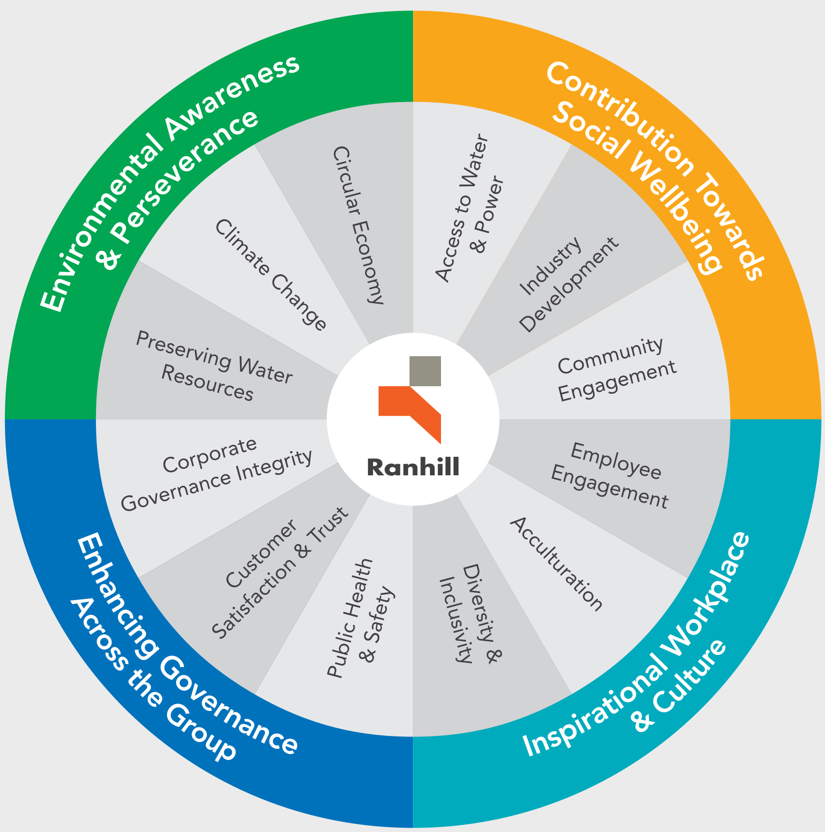
Each of these pillars in FY2019 have been mapped to the Group's material topics. This illustrates the relevance of each sustainability pillar in the Group's sustainability journey while providing the basis for a strategic response in effectively addressing material topics.

Going forward, the Group will monitor its performance for its sustainability pillars, providing ranking scores for each based on actual performance achieved for the respective material topics categorised under each pillar.

A comprehensive scoring system, modelled after the FTSE4Good Index ranking system, is being developed towards ensuring internal assessment and evaluation is aligned to industry best practice.

In FY2019, the Group has aligned its sustainability pillars and material topics to the United Nations Sustainability Development Goals ("UN SDGs").

RANHILL'S SUSTAINABILITY STRATEGIC PILLARS



The following are brief descriptions of the pillars and the EES highlights achieved for the year under review:

RANHILL SUSTAINABILITY PILLARS	DESCRIPTION	ACHIEVEMENTS AND HIGHLIGHTS	FUTURE PLANS	UN SDGs
Environmental Awareness & Perseverance	The Group continues to seek ways to minimise its impact on air, water, land and other natural resources. This includes safeguarding upstream and downstream water resources and conserving, preserving and recycling resources as much as possible. The Group believes that its concept of environmental awareness and perseverance must also be propagated to external stakeholders such as the general public, students, the communities at large and across its value chain. Only through shared vision and commitment can we truly safeguard our natural resources and the surrounding environment.	• Circular Economy - 2 water reclamation plants in Thailand (17 MLD) • NRW - in Johor, Kelantan, Melaka, Kedah, Pahang • Water conservation campaign at schools and with local communities • Continuous enforcement against polluters with Badan Kawal Selia Air Johor ("BAKAJ") and Suruhanjaya Perkhidmatan Air Negara ("SPAN") • Joint sampling with Ministry of Health ("MOH") for water quality • Water Safety Plan ("WSP") • Carbon Footprint reduced to 253,964.5 $mtCO_2eq$ in FY2019 (FY2018: 263,391)	• Increase water reclamation plant capacity • Increase water conservation through NRW reduction & awareness campaign to public • Play a growing role in influencing industry policies • Cascade Carbon Footprint Programme to the Group and other subsidiaries besides RanhillSAJ • Increase efficiency of GHG Scope 1, 2 and 3 Emissions • Use Industry 4.0 and Internet of Things technologies to yield new improvement opportunities in asset management	13 CLIMATE ACTION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY
Contribution Towards Social Wellbeing	As Ranhill pursues its business objectives, it has also integrated 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 non-revenue water ("NRW") management.	• Water rebate for the first $25m^3$ to the underprivileged in Johor • Thought Leadership - Twinning programme with Asian Development Bank • Participation in Industry events • Conducted basic instrumentation training for students of the institute of Oil & Gas • Blood donation drive • Program Pembersihan Pantai (3P) by RWS • 10kW Solar-Micro-Hydro Hybrid Project at Kg Walou • Ranhill Scholarship Programme in collaboration with St. Joseph Institute in Singapore	• Provide access to underserved areas (water & power) • Find cheaper alternatives for electricity i.e. green technology and clean energy • Further establishing Ranhill as an industry and thought leader via involvement in local and international industry events • Capacity building - Collaboration with the Ministry of Higher Education and universities to develop talents for both the water and power industry	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH

Sustainability Statement

RANHILL SUSTAINABILITY PILLARS	DESCRIPTION	ACHIEVEMENTS AND HIGHLIGHTS	FUTURE PLANS	UN SDGs
Inspirational Workplace & Culture	The Group believes in harnessing 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 vibrant and new ideas that will propel Ranhill towards continued realisation of its business goals.	• Townhall Centre activity pertaining to employees' social programmes such as birthday celebrations • R-Care Program for improved health and fitness and etc. • Sijil Kemahiran Malaysia for 77 employees • Knowledge Sharing Session • Customer Service Acculturation Program • High Performance Culture ("HPC") Programme • Employee Engagement Survey	• Identify and agree on the parameters for Inclusivity & Diversity across the Group • Management position in terms of age, gender, race • Opportunities for person with disability (PWD) • Talent diversification • Succession planning • Identify and equip Ranhill employees with Industry 4.0 knowledge	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Enhancing Governance Across the Group	The Group is of the view that sustainability and corporate governance are 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.	• Health and Safety - Ranhill Rules of Life • Code of Conduct and Business Ethics • Business Continuity Management • Third Party Dealings • Risk Management • Whistleblowing Policy and Procedures • Corporate Disclosure • RanhillSAJ's Customer Satisfaction Survey • ISO Certification • Obtained HACCP Certification for Water Treatment Plant • RWS obtained 5-star rating: awarded by CIDB under the *Program Penilaian Keupayaan Dan Kemampuan Kontaktor (SCORE).* • Open tender approach in procurement processes • Personal Data Protection Act	• Implementation of ISO Certification group wide (ISO 45001 Occupational Health and Safety) • External assurance on our Sustainability practices for SR reporting	13 CLIMATE ACTION 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SUSTAINABILITY GOVERNANCE & LEADERSHIP

Sustainability governance begins at the top; with Ranhill's Board of Directors. The Board maintains sustainability oversight via its Governance and Risk Management Committee ("GRMC").

As the GRMC provides leadership, it is in turn 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.

The governance structure is supported by a wide range of sustainability and governance related guidelines, policies and procedures listed below:

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

SUSTAINABILITY GOVERNANCE STRUCTURE

Board of Directors ▶ Governance and Risk Management Committee ▶ Management Assurance Risk & Compliance Committee ▼

AREAS OF MONITORING & REPORTING

- Governance Oversight
- Risk Organisation
- Risk Management & Compliance
- Risk Strategy
- Sustainability

MARCC MEMBERS

- Chief Corporate Officer (Chairman)
- Group Chief Operating Officer
- Chief Financial Officer
- Head of Group Corporate Assurance (Secretariat)
- Head of Group Corporate Communication
- Head of Group Special Projects
- Head of Group Human Resources
- Head of Group Corporate Secretarial
- Head of Group Legal & Compliance
- Head of Group IT

In addition to the above, Ranhill is in the midst of forming its cross-functional Sustainability Working Group ("SWG"), comprising various representatives from Ranhill's subsidiary companies and business units.

Sustainability Statement

→ GOVERNANCE THROUGH INDUSTRY COMPLIANCE

From a water industry perspective, Ranhill is guided by the Water Services Industry Act ("WSIA") 2006 and subsidiary laws. RanhillSAJ has also signed the government's Corporate Integrity Pledge ("CIP") since 2018. Ranhill's clean energy division is guided by the contractual terms stipulated in the Purchasing Power Agreement with the Sabah Electricity Board.

→ STRONG ANTI-CORRUPTION STANCE

Ranhill has maintained a strong anti-corruption stance. Annually, 100% of staff across the Group received communication on the Group's anti-corruption practices.

Information provided includes what is defined as corrupt practice, how to recognise such practices and how to report them to the proper authorities within the Group for appropriate action. A similar briefing has also been provided to the Board of Directors and Senior Management. All new employees receive an anti-corruption briefing during their company induction.

All Ranhill subsidiaries require vendors and business partners to sign a binding anti-bribery agreement as well as to provide a commitment that they will practice good business practices in terms of workers' rights, and will not practice any forms of discrimination or exploitation of labour.

Our procurement process is centred on an open tender approach, where any qualified contractor or vendor may submit a bid. The Group continues, where possible, to facilitate local vendor development, favouring local suppliers and vendors who are incorporated in the country in which Ranhill operates in.

STAKEHOLDER ENGAGEMENT

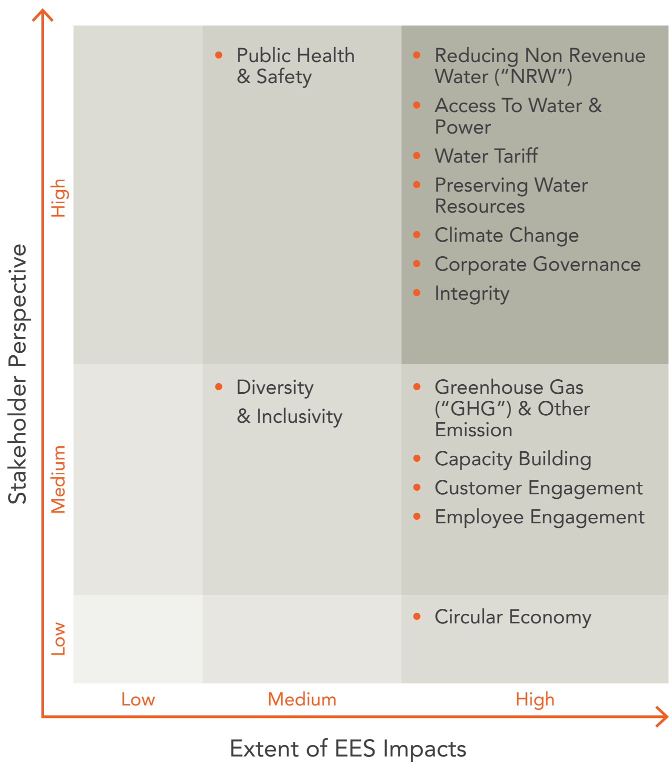
Sustainability is a connected effort and as such, in FY2019, we have continued to initiate active engagement with stakeholders on a broad range of material topics through various communication channels.

Our efforts in FY2019 also included engaging stakeholders on human rights issues, in particular, pertaining to the rights to clean water and sanitation. We have also looked to support the human rights of local communities in other aspects such as educational opportunities, access to clean and cost-efficient energy, and other basic living needs.

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 SR2019 under the Stakeholder Engagement section.

MATERIALITY PRIORITISATION & MATERIALITY MATRIX

In FY2019, Ranhill's material topics remain unchanged as provided by the following materiality matrix:



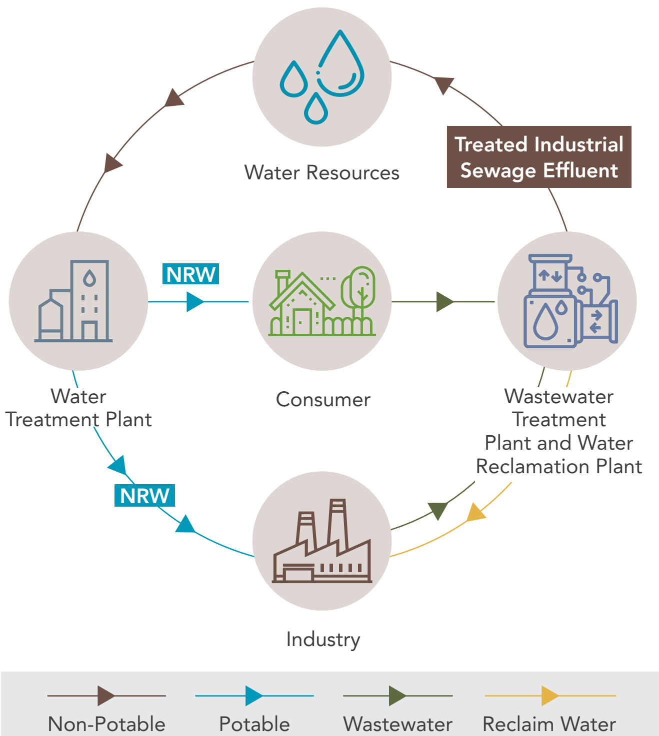
In FY2019, we have gone a step further to map our materiality matters against stakeholders and our adopted UN SDGs to ensure true congruency. Details are given in our SR2019.

CIRCULAR ECONOMY

In FY2019, Ranhill continued to further incorporate the circular economy model into its business operations.

Guided by the International Water Association's ("IWA") guideline, "Water Utility Pathways in a Circular Economy", Ranhill espouses the circular economy model via our reclamation and recycling of wastewater for non-potable use, the reduction of NRW and CCGT energy generation.

Circular Economy Model



ENVIROMENTAL OPERATIONS

- Via our wastewater recycling operations in Amata Industrial Park in Rayong, Thailand and Forest City in Johor, Malaysia, we reclaim up to 17 MLD and 11 MLD of wastewater respectively for non-potable use.
- Separately, in addressing NRW loss, Ranhill is helping the nation achieve water security by reducing wastage, reducing stresses placed on water sources and water assets and promoting more efficient consumption.

POWER OPERATIONS

- Combined Cycle Gas Turbines ("CCGT") use both gas and steam to produce up to 50% more electricity from the same fuel source than a traditional simple-cycle plant. Natural gas produces 50% - 60% less carbon dioxide than when burning coal and 30 percent less than when burning oil.

Amata Reclamation Plant, Thailand

Sewerage Treatment Plant at Forest City, Johor (STP4)

Sustainability Statement

→ CLIMATE CHANGE

Climate change is now recognised to be a real threat and it continues to worsen with time. Climate change continues to impact rainfall patterns, which in turn affects the level of water in rivers across Johor. This will lead to variation in patterns and frequencies of droughts and other extreme weather events. Given that Ranhill's clean water operations are highly dependent on river water, the impact of climate change is of critical import to the continued sustainability of water operations in Johor.

In FY2019, there were several occasions when water rationing was conducted due to insufficient supply of treated water. Kindly refer to the SR2019 for more detailed disclosure on rainfall patterns at water sources.

CLIMATE CHANGE IMPACTS

- Increased levels of nutrients in water from foreign elements i.e. fertiliser runoff can cause algae to grow at excessive rates. When this algae dies, bacteria can lower the level of oxygen in the water, creating dead zones where nothing can live.
- Rising sea levels could push saltwater into river (saline intrusion), making the water unusable for drinking or irrigation unless it's treated using an energy-intensive process.
- Rising sea levels could push saltwater into river (saline intrusion), making the water unusable for drinking or irrigation unless it's treated using an energy-intensive process.
- As certain areas experience more droughts, we will have to more frequently transfer water to where it is needed.
- Rising water levels in other areas may necessitate infrastructure changes. Both of these essential measures may result in more emissions and more energy used.
- Extreme change in weather patterns
- As water becomes a scarcer resource, we may need to treat this increasingly polluted water to make it usable. This process will require a lot of energy, could lead to higher emissions and increased costs.

Ranhill, as the state's sole treated water supplier, continues to implement various short-and long-term remedial efforts to ensure the sustainability of water supply in Johor.

Beyond continued consumer education towards promoting more conscious consumption of water, we continue to source for alternative water sources. The latter includes exploring sources like groundwater, ORS and other options. There is also potential for reclaimed water, i.e. treating and recycling wastewater for commercial use. These would serve as an effective alternative for treated water, especially for commercial and industrial applications.

▶ A Johor Project of Research and Exploration of Ground Water at Ulu Tiram, Johor

PRESERVING WATER RESOURCES

→ WATER CONTAMINATION AND POLLUTION

Beyond climate change, we continue to face serious pollution of Johor's rivers. The number of pollution incidences remain high despite Ranhill's and the authorities' increased efforts to arrest the problem.

Contamination impedes the performance of our plants and on many occasions, have resulted in temporary shutdown of WTP operations, which leads to reduced treated water produced and thereby revenue loss.

ALL WATER TREATMENT PLANT			
YEAR	INTERRUPTION DUE TO AMMONIA CONTAMINATION IN RAW WATER (NO. OF CASES)	TOTAL HOURS OF SHUTDOWN (HOURS)	FINANCIAL LOSSES (RM)
2016	21	1,718.14	33,629,853.73
2017	34	291.47	5,715,502.94
2018	29	962.72	20,136,625.43
2019	**13**	**287.75**	**6,865,232.23**

Ammonia pollution caused by a wide range of factors is one of the main reasons for river pollution. Ammonia pollution is usually caused by farm waste, including animal waste, fertilisers or pesticides, which find their way into the rivers and streams. Other forms of pollution include excessive metals content caused by illegal dumping or surface erosion, sand mining and land clearing activities.

The deterioration in raw water quality leads to increased cost of water treatment, attributed to increased 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 increases operational costs (petrol, staff, etc.) and results in higher GHG emissions.

SIMPANG RENGGAM WATER TREATMENT PLANT			
YEAR	INTERRUPTION DUE TO AMMONIA CONTAMINATION IN RAW WATER (NO. OF CASES)	TOTAL HOURS OF SHUTDOWN (HOURS)	FINANCIAL LOSSES (RM)
2016	5	37.08	14,650.29
2017	27	194.46	108,210.72
2018	26	218.56	144,172.57
2019	**9**	**136.00**	**93,547.96**

In the past, water supply in Simpang Renggam has been interrupted when the source, Sg Ulu Benut, was polluted by leachate discharge from the landfill site in Simpang Renggam. However, in 2019, the integrated plan by the state, RanhillSAJ and related agencies have contributed to minimising the incidents.

Sustainability Statement

Despite the serious pollution issue, RanhillSAJ continues to exceed set standards for treated water as provided below:

▶ Treated Water Quality Compliance Key Performance Indicators

PARAMETER	TARGET MOH QAP	TARGET SPAN KPI	CUMULATIVE COMPLIANCE
Residual & Combine Chlorine	98.15%	99.00%	99.88%
Turbidity	98.00%	99.70%	99.97%
Aluminium	90.00%	95.00%	97.99%
E.Coli	99.85%	99.85%	100%
E.Coli & Res. Chlorine	99.95%	99.95%	100%

→ RESPONDING TO WATER POLLUTION ISSUES

In addressing water contamination and pollution, Ranhill maintains a close working relationship with key stakeholders and related government bodies. A good working relationship has been established with BAKAJ, DOE, MOH and SPAN on addressing river water pollution. For instance, we collaborate with BAKAJ and DOE on raw water issues, MOH on validation of water quality results and SPAN on regulatory matters. Our engagement with governmental stakeholders and regulators enables Ranhill to initiate the following preventive and remedial measures:

- Provide feedback on development projects, land-clearing activities or other activities that may potentially affect water sources.
- Directly notify the Johor government on issues faced, expenses incurred for clean-up activities as well as losses resulting from plant shutdowns.
- Directly request BAKAJ and other authorities to take action on suspected encroachments.
- Participate in water and environmental programs organised by BAKAJ, SPAN, KATS and DOE.

We also initiated several educational programmes such as visiting the premises of polluters, to enlighten them on the consequences of their actions on river water.

Other preventive and remedial measures taken are:

- Establishment of early warning systems at Sembrong Timur WTP, Simpang Renggam WTP, Sungai Muar and Sungai Johor.
- Monitoring catchment areas using Unmanned Aerial Vehicles ("UAV").
- Implement Water Safety Plan (Water Quality Index).

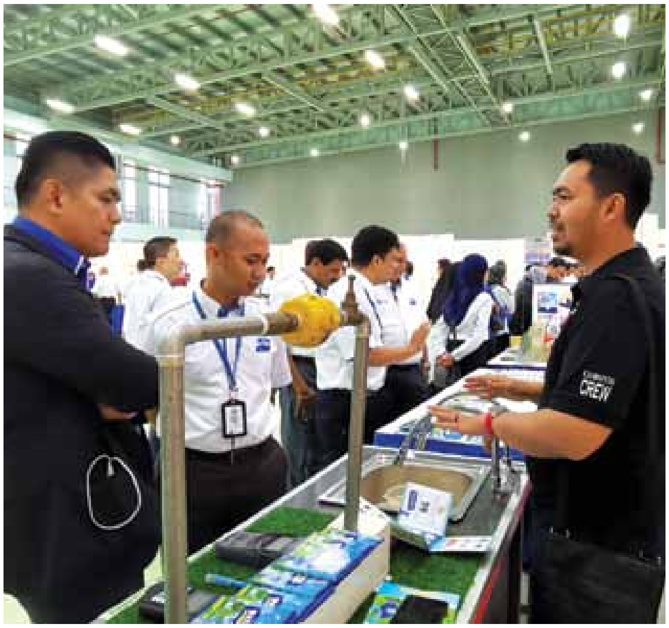
▶ Sultan Iskandar WTP at Johor which supplies a treated water to residences in Johor Bahru, Johor

We also continue to implement the Ranhill Water Safety Plan ("WSP"), which focusses on identifying all hazards that affect the safety and acceptability of drinking water. Risk assessment starts from the catchment areas right through to treatment and distribution and extends to the consumers' premises.

WSP PROGRAMME

- WSP Document
- Raw Water Quality Index
- Water Treatment Plant Intralaboratory Test
- Water Treatment Plant Auditing Programme
- Water Supply System Auditing
- Water Quality Troubleshooting Programme

For the year 2019, RanhillSAJ conducted awareness programmes for premises situated along the following rivers: Sg Skudai, Sg Benut and Sg Sembrong. The awareness programmes were conducted to help employees at the various premises understand how their operations may contribute to river pollution.



Visit to premises alongside rivers towards promoting river conservation awareness

Sustainability Statement

WATER CONSUMPTION

Water for both our environment and clean energy operations is sourced 100% from surface water; that is, rivers and dams located across Johor and from municipal sources for our power generation operations.

Water consumption has been on the rise driven by a wide range of factors. The demand is only expected to increase progressively with time as the following chart illustrates:

Year	Total (m^3)	Raw Water Abstractions River (m^3)	Raw Water Abstractions Dam (m^3)	Average (m^3/month)
2017	644,084,373	393,886,741	250,197,632	53,673,698
2018	672,482,177	395,921,313	276,560,864	56,040,181
2019	**693,301,475**	**411,299,327**	**282,002,148**	**57,775,123**

Year	Raw Water (m^3)	Treated Water (m^3)	In Plant Usage (m^3)	Total Sludge (kg)
2015	624,442,423	591,053,251	33,389,172	82,848,276
2016	635,595,263	607,754,575	27,840,687	86,328,579
2017	644,084,373	613,206,307	30,878,066	86,502,141
2018	672,482,177	641,291,211	31,190,966	87,204,581
2019	**693,301,475**	**663,261,141**	**30,040,335**	**90,724,787**

In FY2019, water consumption grew by 3.02% in tandem with increased consumer demand. We foresee this increasing trend to persist going forward. Hence, our plans to ensure sustainable supply by taking into account climate change effects and to address water pollution and other challenges.

→ WATER CONSUMPTION FOR POWER OPERATIONS

The Group's power operation consumes water for maintenance works, with the water sourced from local municipal sources. In FY2019, more water was consumed at RPI and RPII due to increased maintenance works.

▶ Water Consumption (m^3): RPI & RPII

Year	RPI	RPII
2016	86,165	48,117
2017	81,427	46,638
2018	89,581	53,187
2019	**91,266**	**68,241**

→ WATER TARIFF

Water tariffs in Malaysia are set and regulated by SPAN and hence is independent of demand and supply market forces.

The Federal Government has approved an upwards revision of tariffs. We welcome this development for the betterment of the water industry and towards realising reduced water consumption per capita.

When increased costs are passed through to consumers, there is likely to be greater realisation that water is a valuable resource and must be consumed sustainably.

Presently, Malaysia's water consumption per capita per day is 201 litres per day whilst Johor's water consumption per capita per day is 200 litres per day. Both are significantly higher than the WHO's recommended limit of 180 litres per day and Singapore's 165 litres per day. The revision in tariff may help reduce consumption per capita.

However, all of these is yet to be implemented and as such, the water tariff in Johor, where our water operations are located, remains unchanged.

→ GREENHOUSE GAS ("GHG") EMISSIONS

Our GHG emissions primarily arise from our two CCGT power plants as well as from our water treatment plants. In FY2019, RanhillSAJ initiated its Carbon Footprint Programme towards reducing CO_2 emissions. The Group has also identified a baseline figure for comparison of its carbon footprint reduction efforts on a yearly basis. There is a slight reduction on Carbon Emissions in FY2019 as compared to the previous year.

▶ RanhillSAJ: Total CO_2 Emissions ($mtCO_2eq$)

Performance Measure	2017	2018	2019
Total CO_2e emissions	247,202	263,391	**253,964.5**
Scope 1 CO_2e emissions	3,315.6	2,957.7	**3,735.3**
Scope 2 CO_2e emissions	219,688.4	235,611.5	**225,550.6**
Scope 3 CO_2e emissions	24,198.1	24,821.8	**24,678.6**

▶ RanhillSAJ: Total Carbon Intensity (kg CO_2eq/m^3 of raw water)

Performance Measure	2017	2018	2019
Carbon Intensity	0.3415	0.3419	**0.3406**

→ ENERGY CONSUMPTION & MANAGEMENT

Our approach to energy consumption is guided by the MS ISO50001: 2011 Energy Policy industry recognised best practice standard. In FY2019, RanhillSAJ implemented various energy-saving methods as prescribed under ISO 50001:2011 at five of our WTPs and at its headquarters. The data for this year included measurement of diesel and petrol for transportation usage.

▶ RanhillSAJ: Total Energy Consumption of WTP and Headquarters (MWh) & Diesel and Petrol (Litre)

Year	Water Treatment Plant	Headquarters	Diesel	Petrol
2016	300.06	1.52	N/A	N/A
2017	292.75	1.49	825,890	218,258
2018	305.17	1.50	877,155	233,475
2019	**308.80**	**1.53**	**859,569**	**215,534**

For our water operations, power consumption from our WTPs has increased marginally due to increased demand for water, which necessitates that our plants operate for extended periods to ensure sufficient production volume.

▶ RPI & RPII: Total Energy Consumption (MWh)

Year	2016	2017	2018	2019
RPI	37,937	40,650	42,119	**42,450**
RPII	39,770	38,013	44,024	**42,940**

Similarly, our clean energy operations continues to see RanhillPower I increased power consumption in tandem with higher electricity demand and the low reserve margin situation in Sabah state. As the largest IPP in the state, we have a significant responsibility to ensure that sufficient power is delivered always.

→ HEAT RATE GENERATED FROM POWER OPERATIONS

Data for heat generated by the Group's business operations is based on heat generated from the operations of our two CCGT power plants. The use of combined cycle technology significantly reduces atmospheric heat emissions by an average of 110 Celsius to 500 Celsius.

▶ Heat Rate From Power Plant Operations (kJ/kWh)

Year	2017	2018	2019
RPI	9,468.02	9,512.83	**9,392.04**
RPII	9,591.24	8,724.73	**8,596.30**

▶ Gas Consumption At Our Power Plants (ksm^3)

Year	2017	2018	2019
RPI	275,296.45	281,805.93	**298,085.98**
RPII	216,454.14	233,247.29	**218,184.11**

→ ENVIRONMENTAL NON-COMPLIANCE

By adhering to its respective management approaches for EES matters, the Group has complied with regulatory standards and thus has not been fined or censured by the authorities in FY2019.

CONTRIBUTIONS TOWARDS SOCIAL WELLBEING & CAPACITY BUILDING

→ COMMUNITY ENGAGEMENT

Our community engagement activities are driven by various aims, but one of the most important aspects is the awareness and education on a continued basis, on water conservation, the need to preserve water resources and NRW prevention.

These generally revolve around spreading awareness on the need for more efficient water consumption, avoiding wasteful habits and to report leaky pipes and water theft incidents. We also encourage the public to report incidents of water pollution to us or to the authorities.

We have continued to hold various on-ground activities, targeting all strata of community, across a wide range of demographics. We have also reached out to schools repeatedly towards inculcating a more sustainable water consumption mind-set among the younger generation.

▶ Participation at water exhibitions and industry events

▶ RanhillSAJ, together with the local community and regulators, performing the *Solat Sunat Istisqa* (prayers for rain) during the 2019 drought season

▶ Program Saintis Sungai 2019 at Kulim Ecotrail Resort, Sungai Johor in collaboration with CCM

PROGRAMME / INITIATIVE	ENGAGEMENT DETAILS
Water Conservation And Consumption Outreach Programme	Throughout the year, Ranhill has continued to reach out to local communities, schools, commercial and corporate entities and others towards promoting greater consciousness on using less water.
NRW Management Awareness Programmes To Targeted Groups	Targets Ranhill employees and various level of shareholders as well as SPAN, 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.

Sustainability Statement

PROGRAMME / INITIATIVE	ENGAGEMENT DETAILS
Young Water Professional	The YWP is a programme designed to develop future talents for the water industry in Malaysia, starting with Ranhill's own staff. About 106 participants were trained to facilitate or implement Ranhill's community outreach programmes. In FY2019, our YWPs facilitated several school educational programmes.
Learning Centre At Amata Nakorn Industrial Estate, Thailand	The centre allows industry professionals and the general public to gain a better understanding on the importance of water and wastewater treatment to their lives, while showcasing Ranhill's technologies. In 2019, the centre showed a 201% increase in visitors with visitor hours correspondingly rising to 42 hours. (FY2018: 29 hours).

Sharing knowledge of water cycle and providing stationery to the neighbouring school of Amata City Rayong

→ INDUSTRY DEVELOPMENT & COLLABORATION

In FY2019, we have been active participants in various NRW related events organised by various government agencies and NGOs. The following are several other events that Ranhill participated in during the financial year:

Events attended:

- World Water Day in March
- MWA National NRW Forum in March
- Dialogue on NRW with Minister of KATS in March
- NRW Talk with UTHM and JKR Senggara in April
- Global Leakage Summit London in June
- Smart Water Network (SWAN) Webinar in August
- Presentation to Bahagian Bekalan Air KATS in October
- Malaysia International Water Conference in October
- SPAN NRW Workshop in November
- Malaysia Water Engineer Action Committee (MyWAC) Conference in November
- Thought Leadership - Twinning programme with the Asian Development Bank

Minister of Water, Land and Natural Resources, YB Dato' Dr. Xavier Jayakumar, visiting the Ranhill booth at the Malaysia Water International Expo

→ **CORPORATE SOSIAL RESPONSIBILITY PROGRAM**

PROGRAMME / INITIATIVE	ENGAGEMENT DETAILS
Supporting the basic human right to water (water rebate programme)	In FY2019, Ranhill provided 3,136 poor and hard-core poor households free water under our water rebate programme. This is in support of UN SDG 6: Clean water and sanitation.
Environmental conservation activities	Beach clean-up activities were held at Tanjung Nong and Mawar Beach in Johor and Tanjung Lipat Beach in Sabah. Ranhill staff volunteered to participate in the cleanup, which was jointly organised with local municipal authorities.
Charitable events and contributions	Several charity events were held during the holy month of Ramadhan as well as during the year-end. These events were held for the benefit of orphans, the elderly and other needy groups from Non-Governmental Organization such as AIDS Foundation. Highlights include Pemulihan Dalam Komuniti contribution to Tabung Kebajikan dan Pelajaran YPJ, as well as contribution to underprivileged people in Kluang and schools.
Developing community infrastructure	Together with Akaun Amanah Industri Bekalan Elektrik (AAIBE), RanhillPower completed construction and commissioning of a 10kW Micro Hydro and Solar Hybrid facility in Kampung Walou, Ranau Sabah. The project brings the benefits of electricity power to 25 households or approximately 150 people living in a remote location. In addition, a community centre was built for the villagers as a place to produce handicraft, to hold community gatherings, social events and more. We also provided a TV and a freezer within the community centre for the villagers' perusal.
Other CSR activities	• Tree Planting Activity with Amata Corporation Plc. at Amata City Chonburi. • Sponsorship of two Television Sets to Thankasem School, Saraburi Province. • Replacement of electrical wiring and lighting installation at Sekolah Tahfiz Bandar Seira. • Installation of mobile water treatment facility at Palu, Indonesia.

▶ RanhillPower brightening up the future of Walou Folks with its 10kW Solar-Micro-Hydro Hybrid project for the community. The event was officiated by Deputy Minister of Energy, Science, Technology, Environment and Climate Change ("MESTECC"), YB Puan Isnaraissah Munirah Binti Majilis

INSPIRATIONAL WORKPLACE & CULTURE

→ EMPLOYEE ENGAGEMENT

Ranhill's 3,063 strong workforce is its greatest strength and asset. We continue to invest in the development of our talent pool with talent development and management strategies centred on the 4Rs of strategic recruitment, retention, reward and rejuvenation, which is further specified into the following focus areas:

Once again, Ranhill has earned the coveted recognition of the industry when it was selected for the HR Asia Award - "Best Companies to Work For In Asia 2019", organised by HR Asia, a publication of Business Media International Sdn Bhd. This is the third year that RanhillSAJ has clinched the award after its previous two successes in 2014 and 2017.

EMPLOYEE DEVELOPMENT AND MANAGEMENT

Ranhill's compensation packages for employees remain competitive to industry standards. All employees are entitled to a salary review every five years. The Group supports the professional development of its staff with 100% of its workforce receiving an annual appraisal.

Ranhill once again secures the HR Asia Awards

All employees earn wages that are above the minimum wage scale as Ranhill's lowest salary scale is higher than the minimum salary stipulated by the government.

In FY2019, Ranhill conducted its Employee Engagement Survey, which indicated increased employee satisfaction ratings. The survey indicated that Ranhill staff across the Group were appreciated for their work contributions, have a high morale and have a firm belief in the Group's vision and mission.

Ranhill's commitment to human rights is reflected in its continued adherence to the Malaysian Employment Act 1955, which prohibits exploitative labour practices. The Company also adheres to the Children and Young Persons (Employment) Act 1966. These are in line with the statutes stipulated by the International Labour Organisation ("ILO") and the Universal Declaration of Human Rights.

RanhillSAJ's Collective Agreement provides for employees' right to bargain collectively. As at 31 December 2019, Ranhill has close to 63.1% of its employees covered by collective bargaining agreements.

Ranhill has established a comprehensive grievance mechanism and staff have full access to the mechanism. While employees are encouraged to attempt to resolve issues informally, they also have access to official grievance procedures.

In FY2019, the Group reduced its training budget by 19% to RM2,388,660 million. Total training hours notched was 58,398 hours. Average training hours per employee is higher at 19 hours per employee. Average training spend per employee has reduced to RM780.

Year	2017	2018	2019
Total Training Hours	73,039	97,368	**58,398**
Total Training Spent (RM)	2,373,238	2,961,679	**2,388,660**

Training is paid for via funds contributed to the Human Resources Development Fund ("HRDF"). In FY2019, we reduced our utilisation of contributed funds by 20% for a total utilisation of RM877,792.

→ RANHILLSAJ WATER ACADEMY

Also known as the Water Academy, this initiative is part of RanhillSAJ's approach to developing competent water industry professionals. The Academy is located at Sungai Layang, Masai, Johor and provides a dedicated facility for training industry talent.

Academy training programmes are delivered via the dedicated RanhillSAJ Training Centre. The Centre is equipped with two lecture halls, a NRW yard and a covered pipe-laying yard. The facility can accommodate a maximum of 100 participants at one time.

The Academy has several hostels to provide accommodation for participants and comes with various amenities. These include a dining hall, prayer hall, free wi-fi, a campsite, football field and swimming pool.

Since February 2019, the centre is certified for in-house training by the Department of Skills Development or Jabatan Pembangunan Kemahiran under the auspices of the Ministry of Human Resources, Malaysia.

Knowledge Management Committee Members during the KM Conference which is the platform to share the tacit knowledge with participants

Sustainability Statement

→ EMPLOYEE RECRUITMENT

The Group's workforce continues to grow with 185 new hires, bringing the total staff strength to 3,063. In addition, attrition rates remain low at just 4.4% of total staff strength.

Our recruitment policy dictates that new hires are selected based purely on merit, having undergone a stringent but fair recruitment process, which comprises interviews, assessment tests and other forms of evaluation. The Group does not practice any form of preferential treatment based on gender, ethnicity or other demographic factors.

▶ Number of Staff Recruited FY2019

RANHILL CAPITAL SDN. BHD.	**19**
RANHILL SAJ SDN. BHD.	**134**
RANHILL POWERTRON SDN. BHD.	**2**
RANHILL WATER SERVICES SDN. BHD.	**20**
RANHILL WATER TECHNOLOGIES SDN. BHD.	**10**

▶ Number of Staff Attrition FY2019

RANHILL CAPITAL SDN. BHD.	**10**
RANHILL SAJ SDN. BHD.	**78**
RANHILL POWERTRON SDN. BHD.	**1**
RANHILL WATER SERVICES SDN. BHD.	**38**
RANHILL WATER TECHNOLOGIES SDN. BHD.	**8**

Employees are constantly updated on their rights and Group Management continues to communicate actively with employees, including employee interest groups and unions.

Where possible, Ranhill has always sought to provide a minimum notice period for major operational changes towards reducing the impact of changes to employees' work conditions and their daily lives.

The Group continues to ensure that employees work in fair labour conditions. There is no exploitation of workers in terms of excessive working hours and fair overtime pay provided to eligible staff.

ENHANCING GOVERNANCE ACROSS THE GROUP

HEALTH & SAFETY

→ HEALTH AND SAFETY MANAGEMENT APPROACH

The Group adheres to the Occupational Health and Safety Assessment Series, (OHSAS 18001) certification with nine (9) locations under RanhillSAJ in compliance with the standard. RanhillPower and RWS have obtained the ISO 9001:2015 standard for its sites.

More sites will be progressively certified going forward with plans to also obtain the ISO 45001:2018 accreditation by March 2021. RWT was recertified to the latest ISO 9001:2015 standard by UKAS United Kingdom. It is also presently working towards the ISO 45001:2018 Occupational Health and Safety Management System by 2020-2021.

It is a pride that in the first year of the implementation of Ranhill's Rules of Life, Ranhill achieved Zero Lost Time Injury ("LTI") cases from 4 cases in 2018 as well as a reduction in reported cases from 49 cases in 2018 to 35 cases in 2019. However, the performance should be continuously maintained to improve the positive and sustainable Safety and Health culture. This also requires that our many strategic stakeholders and vendors, many of which we expect high standards to continue their journey with us to seek continuous improvement in Occupational, Safety and Health ("OSH") performance.

Occupational Incident Case	2017	2018	2019
Fatality	**0**	0	0
Loss Time Injury	**12**	4	0
Incidence rate (per 1,000 employees)	N/A	16.24	11.74
Frequency rate (per 1,000,000 man-hours)	N/A	7.88	5.14
Severity rate (per 1,000,000 man-hours)	N/A	11.09	0

All subsidiaries have established their respective HSE Committees, its HSE Committee consisting of the HSE advisor, Management Representatives, HSE Representatives, HSE Coordinators and employees.

Following are the percentages of our employees that have worker representation in formal joint management-worker health and safety committees:

SUBSIDIARY	2018 (%)	2019 (%)
RanhillSAJ	5	**6.55**
RWS	1.3	**17.12**
RanhillPower	31	**22.07**
RWT	2.4	**2.9**

There have been zero incidents where Ranhill or its subsidiaries were fined or censured for health and safety incidents.

→ BUSINESS CONTINUITY PLANNING ("BCP") IN RESPONSE TO COVID-19

In response to the COVID-19 pandemic, Ranhill has included measures in its Business Continuity Plan ("BCP") to ensure that the Group continues to operate with minimal disruptions.

Business contingency strategies and measures have been established up and where necessary, will be implemented accordingly.

These protective measures have been established to ensure that WTPs continue operating at all times and to prevent disruptions in treated water supply.

BCP PLAN SUMMARY ON COVID-19 INFECTION

The following measures shall be implemented at all WTPs to ensure that operations are not disrupted and that the quality of treated water is maintained:

1. WTPs are currently operated using three shifts of 8 hours, and 1 floating shift.

2. If a staff is suspected to be infected, that particular shift will be quarantined and the operating hours for the remaining shifts will switch to 12-hour shifts with one floating shift.

3. The WTP will immediately be disinfected and all teams will be required to wear Personal Protective Equipment ("PPE") at all times during their work shift.

4. During the disinfection process, all staff will be required to wear full HAZMAT suits.

5. In the event, that all teams at the affected WTP must be quarantined, RanhillSAJ will deploy crews from the nearest WTP to assume operations with both WTPs running on 12-hour shifts.

6. For any cases of infection at any of Ranhill's office premises and if office closure is necessary, critical operations will be relocated to pre-determined alternative premises.

7. For our power plants, similar Standard Operating Procedures ("SOP") as above will implemented. At normal days, the plants have three shifts of eight hours and two floating shifts. In the event of infection, the two floating shifts will operate the plants with 12-hour shifts. If all teams are quarantined, Ranhill Powertron will deploy crews from its other plant.

CUSTOMER ENGAGEMENT

CUSTOMER SATISFACTION & TRUST

→ ENHANCING CUSTOMER SATISFACTION AND QUALITY

RanhillSAJ continues to enhance its level of customer satisfaction via its Quality Management System ("QMS") ISO 9001:2015 certification. In addition, the Customer Service Department has been certified to ISO 27001:2013 Information Security Management System, which attests to the department's systematic and secure approach to managing customer information.

RanhillSAJ has obtained the Hazard Analysis and Critical Control Points ("HACCP") Certification for water treatment plants for its successful efforts in reducing the risk of safety hazards within the water supply system.

In FY2019, RWS has been awarded the 5-star rating by the Construction Industry Development Board for its efforts under the *Program Penilaian Keupayaan Dan Kemampuan Kontraktor* ("SCORE"). The SCORE program evaluates and ranks contractors based on stringent criteria, which include company performance, financial capabilities, project management and other indicators.

Board of Directors

From left to right:

1. ABU TALIB ABDUL RAHMAN
2. DATO SRI LIM HAW KUANG
3. LEOW PEEN FONG
   (Resigned as AC member w.e.f 18 April 2019)
4. TAN SRI HAMDAN MOHAMAD
   (Appointed as GRMC member w.e.f 18 April 2019)
5. TAN SRI AZMAN YAHYA
6. LOONG MEI YIN
7. LIM HUN SOON @ DAVID LIM
8. DATUK ABDULLAH KARIM
   (Appointed as AC member w.e.f 18 April 2019)

Audit Committee

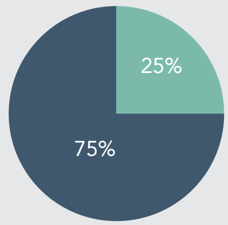
Nominating And Remuneration Committee

Governance And Risk Management Committee

Long Term Incentive Plan Committee

LEADERSHIP TEAM CHARACTERISTIC

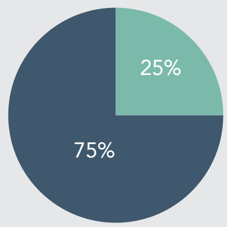
Length of Service



● < 5 years ● 5 - 15 years

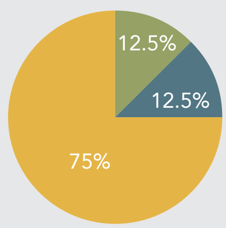
Note:
Based on date of appointment

Gender Composition



● Male ● Female

Age Group



● 41 - 50 ● 61 - 70
● 51 - 60

Board of Directors' Profile

TAN SRI AZMAN YAHYA

- Chairman
- Independent Non-Executive Chairman

Malaysian

Male

AGE 56

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 w.e.f 2 February 2019, pursuant to Bursa Main Market Listing Requirements ("BMLR").

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

8/8

BOARD OF COMMITTEE MEMBERSHIPS

- Nominating And Remuneration Committee (Member)
- Long Term Incentive Plan Committee (Member)

Note : Strategy and Investment Committee – ceased to be Chairman w.e.f 18 April 2019 due to the dissolution of the committee with effect from the same instant.

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 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.

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

Public Listed Companies ("PLC")

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

Other Public Companies

Nil

In addition, he serves on the following organisation:-

- Sepang International Circuit Sdn Bhd (Chairman)

TAN SRI HAMDAN MOHAMAD

- Executive Director
- President and Chief Executive

Malaysian

Male

AGE 64

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

8/8

BOARD OF COMMITTEE MEMBERSHIPS

- Governance and Risk Management Committee (Member) - Appointed w.e.f 18 April 2019

Note : Strategy and Investment Committee – ceased to be a Member w.e.f 18 April 2019 due to the dissolution of the committee with effect from the same instant.

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 the Board of Engineers, Malaysia

SKILLS AND EXPERIENCE

Tan Sri Hamdan Mohamad started his career as a structural engineer at the engineering consulting firm of Ranhill Bersekutu Sdn Bhd ("**RBSB**") in 1981. Upon his return to Malaysia after completing his Masters Degree, he was appointed as Director of RBSB in 1988 and eventually became the President and Chief Executive Officer of RBSB in 1995. On 15 November 2000, he became Executive Director of Ranhill Berhad ("**RB**") where he spearheaded RB and the RB Group's expansion from an engineering and consulting based firm to a full-fledged organisation that engineers, constructs, owns and operates facilities in diverse segments including the infrastructure, environment, power and oil and gas segments. Following the delisting of RB in 2011, he was appointed as the Executive Director in Ranhill Energy and Resources Berhad (now known as Ranhill Energy and Resources Sdn Bhd) on 2 January 2013 and subsequently on 14 June 2013, he was appointed as Group President and Chief Executive, a position he held before his appointment as Ranhill Holdings Berhad's Executive Director on 1 December 2015.

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Senai Desaru Expressway Berhad

Board of Directors' Profile

DATO SRI LIM HAW KUANG

→ Executive Director

Malaysian

Male

AGE 66

APPOINTMENT TO THE BOARD

Appointed to our Board as Executive Director on 1 September 2014

NO. OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

8/8

BOARD OF COMMITTEE MEMBERSHIPS

→ Governance And Risk Management Committee (Member)

Note : Strategy and Investment Committee – ceased to be a Member w.e.f 18 April 2019 due to the dissolution of the committee with effect from the same instant.

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.

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

Public Listed Companies ("PLC")

→ Jinxin Fertility Group Limited (Appointed as Independent Director with effect from 25 June 2019)

Other Public Companies

→ Wison Group Shanghai with effect from 1 June 2019.

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

DATUK ABDULLAH KARIM

→ Senior Independent Non-Executive Director

Malaysian

Male

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

8/8

BOARD OF COMMITTEE MEMBERSHIPS

→ Nominating and Remuneration Committee (Chairman)

→ Audit Committee (Member) – Appointed w.e.f 18 April 2019

→ Long Term Incentive Plan Committee (Chairman)

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) and Venture Director, LNG Projects - Domestic 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 VP PETRONAS and MD/CEO of PETRONAS Carigali, a wholly owned subsidiary of PETRONAS involved in O&G exploration, development and production in Malaysia as well as in 23 countries worldwide.

In July 2010, he was appointed as the President/CEO of PETRONAS Carigali as well as the VP of PETRONAS Development and Production until 2012.

DIRECTORSHIP(S) 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

Malaysian

Male

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

7/8

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 @ David Lim started his career with KPMG (previously Peat Marwick Mitchell) in the United Kingdom. He returned to Malaysia in 1982 to continue with KPMG. He had a 33 year long career at KPMG, where he was admitted as Partner (April 1990), and served in the Management Committee (1997- 2001) and in KPMG's Partnership Supervisory Council (2002-2010). He was also the Asian Anchor Practice representative for Marketing (2000-2001), where he gained extensive knowledge and insights from KPMG Global counterparts worldwide. He retired

from KPMG in 2011. David Lim has been an examiner for company law examinations conducted by MICPA for over 10 years. From 2002 till 2004, he was Chairman of MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee. In May 2013, he was appointed as council member of the Institute of Chartered Accountants in England and Wales (the first time Malaysia was granted a seat in the Council) for a term of two-year 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 which ended in May 2019.

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

Public Listed Companies ("PLC")

→ Manulife Holdings Berhad

→ Sasbadi Holdings Berhad

→ Kawan Food Berhad

→ Press Metal Aluminium Holdings Berhad

Other Public Companies

→ Affin Hwang Investment Bank Berhad

→ Manulife Insurance Berhad

→ Rockwills Trustee Berhad (Chairman w.e.f 24/05/2019)

→ Fairview Schools Berhad

LEOW PEEN FONG

→ Independent
Non-Executive Director

Malaysian

Female

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

8/8

BOARD OF COMMITTEE MEMBERSHIPS

- → Governance And Risk Management Committee (Chairman)
- → Audit Committee – Resigned as Member w.e.f 18 April 2019

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

Leow Peen Fong 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 commensurate with the risks taken by the operators;
- develop key management tools to measure and evaluate 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 is responsible for macro-economic scenario planning and forecasting as well as preparation of the Annual Economic Reports. The Economic Reports focussed 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 researchers. 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

Board of Directors' Profile

LOONG MEI YIN

→ Non-Independent Non-Executive Director

Malaysian

Female

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

5/8

BOARD OF COMMITTEE MEMBERSHIPS

Nil

Note : Strategy and Investment Committee – ceased to be Member w.e.f 18 April 2019 due to the dissolution of the committee with effect from the same instant.

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 co-founder of TAEL Partners Ltd (TAEL), a regional ASEAN-centric private equity firm established in 2007. She brings with her more than 25 years of financial industry experience, in areas of growth capital private equity investing and investment banking. Having worked with a diverse range of business groups across Malaysia and Thailand, she spearheads TAEL's investment in these two countries and is leading the foray into Myanmar. She spearheads TAEL'S investments in urban sustainability, namely in the water and wastewater treatment, and integrated waste management and waste-to-energy segments. She also focusses on investments across several sectors, including in the pharmaceutical, property development, and manufacturing sectors.

Ms. Loong 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. Ms. 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.

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

Nil

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

ABU TALIB ABDUL RAHMAN

→ Independent Non-Executive Director

Malaysian

Male

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

8/8

BOARD OF COMMITTEE MEMBERSHIPS

- → Audit Committee (Member)
- → Nominating And Remuneration Committee (Member)
- → Governance And Risk Management Committee (Member)
- → Long Term Incentive Plan 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 in an agriculture bank before enhancing his work experience in a merchant bank and a commercial bank. Abu Talib left the commercial bank and worked as an advocate and solicitor after getting called to the Bar in 1986.

In 1991, he established 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. In January 2017, he took a sabbatical to assume the position as a Managing Director of Sumatec Resources Berhad ("**Sumatec**"). On 1 October 2019, he resigned as the Managing Director of Sumatec and subsequently returned to ATS to continue his legal practice effective from 1 January 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES

Other Public Companies

- → Senai-Desaru Expressway Berhad

None of the Directors have:

- any family relationships with any directors and/or major shareholders of the Company;
- any conflict of interest with the Company save as disclosed in the related party transactions of the Annual Report and the Circular to the Shareholders dated 21 March 2020; 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 2019.

Key Senior Management's Profile

Malaysian | Male | AGE 64

TAN SRI HAMDAN MOHAMAD

Executive Director
President and Chief Executive

Refer to Board of Director's Profile on page 63.

Malaysian | Male | AGE 50

CHOO CHEE KEEN

Chief Financial Officer

DATE OF APPOINTMENT
1 June 2016

QUALIFICATION

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

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 Berhad in 2006 and subsequently in Ranhill Group (post restructuring) 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

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 21 March 2020; 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 2019.

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 2019 ("FY2019").

- → 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 2019 ("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

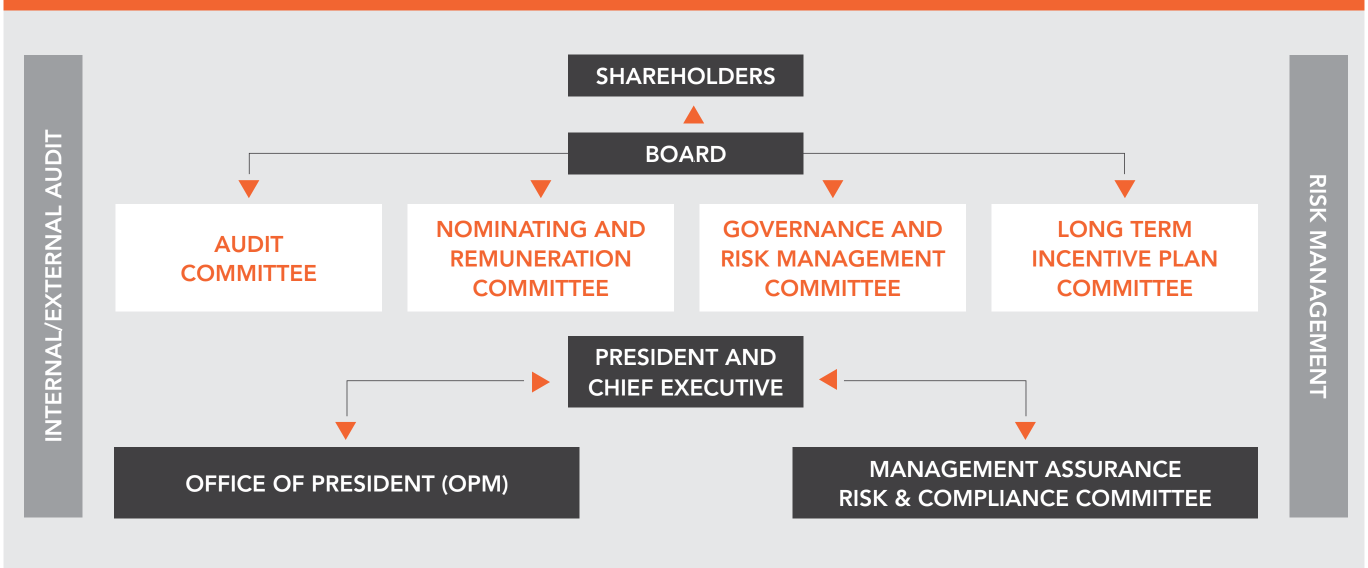
I. BOARD RESPONSIBILITIES

GOVERNANCE FRAMEWORK

The Board 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 interests, achieving an appropriate balance between long-term growth and short-term business targets and playing a leadership role in the cultivation of good corporate culture.

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

CORPORATE GOVERNANCE MODEL



Corporate Governance Overview Statement

Ranhill's corporate governance model sets out how the Group is governed and how it 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. 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") and Procedures
- → Whistleblowing Policy and Procedures
- → 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.

On 26 February 2019, a revised Charter was approved towards achieving greater alignment with the requirements and recommendations outlined in the latest Companies Act 2016, Malaysian Code on Corporate Governance 2017 and the Bursa Malaysia Main Market Listing Requirements 2018. The Board Charter is available on Ranhill's corporate website 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;	Setting up of Subsidiary, Joint Venture, Strategic Alliance and Partnership; and
Approving dividends;	Approving Board Charter and Terms of Reference of Board Committees.

SEPARATION OF THE ROLES OF CHAIRMAN AND THE PRESIDENT AND 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 and Chief Executive
→ Lead the Board in setting the values and ethical standards of Ranhill. → Chair the board meetings and stimulate debates on issues and encourage 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 ensure 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 ensure the execution of corporate and day-to-day operational strategies together with the senior management including implementation of the Board's policies and decisions. → 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 realise the Group's long-term strategy. → Recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management. → Formulate and oversee implementation of major corporate policies. → Report 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. → Accountable to the Board for the overall Group performance and observance of management's authority limits. This includes bringing material matters to the attention of the Board in an accurate and timely manner.

BOARD ACTIVITIES AND TASKS IN 2019

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

FINANCIAL & OPERATIONS

- 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
- Bonus Issue
- Dividend Reinvestment Plan (DRP)
- Long Term Incentive Plan (LTIP)
- External Auditors' Plan

STRATEGIC PLANS AND INVESTMENTS

- Investment of acquisitions and divestments proposed by Management
- Annual Business Plan and Budget for FY2020 and the Strategies towards achieving the forecast
- Development initiatives undertaken by the Company and Group (i.e. strategic business and investment proposals)

CORPORATE GOVERNANCE

- The following Policies & Procedures ("**P&P**") given that this is Ranhill's fourth (4th) year as a listed company:-
    - Adopted new Constitution
    - Rules of Life in relation to Ranhill's Health, Safety & Environment (HSE) Policy
    - Board Charter with accompanying respective Term of Reference of Board Committee
    - Salary structure & job grade mapping
    - Policies & procedures standardisation in Human Capital
    - Staff Loan Policy
    - Investor Relation Policy
- Matters relating to the AGM including the assessment of Directors retiring at the AGM, re-appointment of external auditors, Ernst & Young PLT 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
- Adopted Health and Safety and Environmental Manual
- Revision to the Governance and Risk Management Committee's Terms of Reference to include the additional scope on the review of risks on strategies and investments following the dissolution of the Strategy and Investment Committee
- Adopted revised Ranhill organisation structure

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.

Ranhill's Board of Directors collectively have a combination of skills and experience in the competencies set out in the table below.

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, sufficient diversity and a strong degree of independence in exercising judgement.

BOARD DIVERSITY

During the financial year, the Board had maintained two (2) sitting female Directors, Loong Mei Yin who was appointed on 16 November 2016; and Leow Peen Fong who was appointed on 2 March 2018. Loong Mei Yin serves as a Non-Independent and Non-Executive Director while Leow Peen Fong 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 (3) years between ceasing such employment and serving on the Board;
- 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;
- 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 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 to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence.

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

Currently, none of the Independent Non-Executive Directors of Ranhill have served the Board for nine (9) 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

The Group has identified Datuk Abdullah Karim as the Senior Independent Non-Executive Director ("SID") effective 13 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 Karim can be contacted at 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 FY2020, three (3) directors, Tan Sri Azman Yahya, Datuk Abdullah Karim and Lim Hun Soon @ David Lim 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 ASSESSMENT EVALUATION ("BAE")

Annually, the Chairman of the Nominating & Remuneration Committee and supported by the Company Secretary conduct a Board Assessment Evaluation exercise to independently assess the effectiveness of every member of the Board. The criteria for evaluation are given within 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, time commitment is a key criterion for the assessment of 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 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 allows 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 2019:

Directors	Number of Meetings Held				
	Board	AC	NRC	(1) GRMC	(2) LTIP
Executive Directors					
TAN SRI HAMDAN MOHAMAD (Executive Director/President and Chief Executive) *Appointed as a member of the GRMC w.e.f. 18 April 2019.*	8/8			4/4	
DATO SRI LIM HAW KUANG (Executive Director)	8/8			5/5	

Directors	Number of Meetings Held				
	Board	AC	NRC	(1) GRMC	(2) LTIP
Non-Executive Directors					
TAN SRI AZMAN YAHYA (Chairman/Independent Non-Executive Director)	8/8		3/3		1/1
DATUK ABDULLAH BIN KARIM (Senior Independent/Non-Executive Director) *Appointed as a member of the AC w.e.f 18 April 2019 in place of Ms Leow Peen Fong.*	8/8	3/3	3/3		1/1
LIM HUN SOON @ DAVID LIM (Independent/Non-Executive Director)	7/8	5/5			
ABU TALIB ABDUL RAHMAN (Independent/Non-Executive Director)	8/8	5/5	3/3	5/5	1/1
LOONG MEI YIN (Non-Independent/Non-Executive Director)	5/8				
LEOW PEEN FONG (Independent/Non-Executive Director) *Resigned as a member of the AC w.e.f 18 April 2019.*	8/8	2/2		5/5	

Note: (1) The Board of Directors of the Company has agreed to dissolve the Strategy and Investment Committee ("SIC") with effect from 18 April 2019. The responsibilities of the SIC have been assumed by the GRMC and investment proposals will be tabled to the Board directly.

(2) Long Term Incentive Plan ("LTIP") Committee was established by the Board on 26 February 2019.

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 includes 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.

Following is a list of conferences, seminars and training programmes attended by Ranhill's Board of Directors in 2019:

NO.	TRAINING/SEMINAR/FORUM/CONFERENCES
1.	Bank Negara Malaysia (BNM) - Financial Institutions Directors' Education (FIDE) Forum : Dialogue with the Deputy Governor on the Draft Risk Management in Technology (RMiT) Policy
2.	Breakfast Roundtable: China and the World
3.	Building Resilience Against Cyber Risks
4.	Bursa Malaysia Thought Leadership Series - The Convergence of Digitisation and Sustainability
5.	Directors Dialogue on Integrated Reporting <IR>
6.	Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions
7.	Financial Institutions Directors' Education (FIDE) Forum Workshop : Building an Effective Board - Board Selection
8.	Financial Institutions Directors' Education (FIDE) Forum : Reading the Signs : The Next Financial Crisis and Its Potential Impact on Asia
9.	Half Day Talk on Cryptocurrency & Block Chain
10.	Invitation to the Securities Commission Malaysia's Audit Oversight Board Conversation With Audit Committees
11.	International Financial Reporting Standards (IFRS) Training
12.	IIC-SIDC Governance Convention 2019: Rising Beyond Principles and Policies
13.	Malaysian Code on Corporate Governance (MCCG) - Adoption of Practices for Meaningful Corporate Governance
14.	Malaysia International Water Convention 2019 (MIWC 2019)
15.	Milken Institute Global Conference 2019
16.	The Malaysian Private Equity Forum. Themed "Creating a Sustainable Private Equity Ecosystem in Malaysia"
17.	The Role of the Board in Risk Management of Legal Issues During Mergers and Acquisition
18.	The 2019 Indo Pacific Business Forum (IPBF)
19.	Understanding the Evolving Cybersecurity Landscape
20.	World Bank Cyber Security Talk

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

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 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 FY2019 is as follows:

Appointment	per annum (RM)
Board of Directors	
Base fee	1,164,000
Audit Committee	
AC Chairman's fee	26,000
AC Member's fee	18,000
Governance and Risk Management Committees	
GRMC Chairman's fee	Nil
GRMC Member's fee	Nil
Nominating and Remuneration Committee	
NRC Chairman's fee	Nil
NRC Member's fee	Nil
Long Term Incentive Plan Committee	
LTIP Chairman's fee	Nil
LTIP 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 FY2019 are as follows:

	Company					Subsidiaries				
	Fees	Salaries & Bonus	Benefits -in-kind	Others	Company Total	Fees	Salaries & Bonus	Benefits -in-kind	Others	Group Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors										
Tan Sri Hamdan Mohamad	-	5,910.8	617.2	870.2	**7,398.2**	168	2,265.6	25.3	296.4	**10,153.5**
Dato Sri Lim Haw Kuang	-	2,160	-	211.2	**2,371.2**	-	-	-	-	**2,371.2**
Total										
Non-Executive Directors										
Tan Sri Azman Yahya	180	-	50	24.5	**254.5**	-	-	-	-	**254.5**
Abu Talib Abdul Rahman	162	-	-	37.5	**199.5**	295.2	-	-	-	**494.7**
Lim Hun Soon @ David Lim	170	-	-	26	**196**	-	-	-	-	**196**
Datuk Abdullah Karim	156	-	-	39.5	**195.5**	45	-	-	1.5	**242**
*Loong Mei Yin	*144	-	-	14	**158**	-	-	-	-	**158**
Leow Peen Fong	150	-	-	29	**179**	295.2	-	-	-	**474.2**
Total	**962**	**8,070.8**	**667.2**	**1,251.9**	**10,951.9**	**803.4**	**2,265.6**	**25.3**	**297.9**	**14,344.1**

** 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 FY2020.

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 Group President and 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 Statement of Directors' Responsibility is given in the Statement of Directors' section of this 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 and 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. Its Terms of Reference ("TOR") can be found on the Board Charter at www.ranhill.com.my. Among its duties as prescribed under the TOR are:

- Applying the principles and good practices of corporate governance, sustainability and corporate responsibility 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 an effective Whistleblowing Policy and Procedures is implemented and to continue monitoring compliance.

INTERNAL AUDIT

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

During the financial year, audit assignments were carried out on major subsidiaries with observation reported and presented to the AC. The total costs incurred for the internal audit function for FY2019 was RM1.32 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 to approve and disclose 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 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.

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 FY2019, several briefings with investors and analysts were held. The Group had also 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 except Tan Sri Azman Yahya who was absent due to an emergency, attended the Company's 2019 AGM, representing 87.5% of directors' attendance rate. As for this year, all directors are expected to attend the 2020 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 Group's operations and a financial overview of the financial year's performance was not available to the shareholders as the overall performance of the Group had been set out in the Annual Report which the shareholders would have received and read. The nominated Chairman for the AGM was Lim Hun Soon @ David Lim.

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 27 February 2020.

Additional Compliance Information

1. AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditor, Messrs. Ernst & Young PLT, for the financial year ended 31 December 2019 are as follows:-

Fees Paid/Payable to Messrs Ernst & Young	**Group RM'000**	**Company RM'000**
Audit fees	1,590	110
Non-Audit Fees	148	8
Total	1,738	118

2. 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 2019 or entered into since the end of the previous financial year.

Audit Committee Report

The Board of Directors ("the Board") of Ranhill Holdings Berhad ("Ranhill") is pleased to present the Audit Committee Report for the financial year ended 31 December 2019 (FY2019).

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 2019 (FY2019) are set out below:

Membership Committee	Committee Attendance
→ Lim Hun Soon @ David Lim (Chairman/ Independent Non-Executive Director)	5/5
→ Datuk Abdullah Karim (Member/ Senior Independent Non-Executive Director) *(Appointed to AC with effect from 18 April 2019)*	3/3
→ Abu Talib Abdul Rahman (Member/ Independent Non-Executive Director)	5/5
→ Leow Peen Fong (Member/ Independent Non-Executive Director) *(Ceased to be a member of the AC on 18 April 2019)*	2/2

The composition of the AC is in line with Paragraph 15.09 of the Main Market Listing Requirement 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 and Chief Executive (PCE), Chief Financial Officer (CFO), Head of Group Corporate Assurance Division 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 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 ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the AC had carried out the following activities in the discharge of its functions and duties:

1. FINANCIAL REPORTING

a. Reviewed the unaudited quarterly financial results and full year financial statements of the Company including announcement to Bursa Malaysia and recommended to the Board for approval.

b. Reviewed and highlighted to the Board significant matters raised by the External Auditors including financial reporting issues, significant judgements made by management, significant events or transactions, and received updates from management on actions taken for improvement.

c. Reviewed the financial and operational performances, budget achievement, reasons for the variances and efforts by the management to meet targets.

d. Deliberated significant changes in relevant regulatory requirements, accounting and auditing standards that affect the Company and the adoption of such changes by management.

2. EXTERNAL AUDIT (EA)

a. Reviewed year-end financial statement presented by the EA, Messrs Ernst & Young PLT. 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. Reviewed the EA's 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 and Malaysian Financial Reporting Standards ("MFRS").

c. Requested management to negotiate the audit fees and reviewed by the AC.

d. Held one discussion with the EA without the presence of the President and 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 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. Reviewed the planned and ad hoc internal audit reports issued and the adequacy of management response and actions to address control deficiencies.

c. Reviewed quarterly updates on the progress and status of corrective actions on whether appropriate actions were taken on the recommendations made by GCAD.

d. Reviewed and approved the revisions to the Internal Audit Charter.

e. Reviewed the annual assertion on Internal Auditing Standards for financial year 2019 and was satisfied that the Internal Auditors were free from any relationship or conflict of interest that could impair their objectivity and independence.

f. Reviewed the progress of the Internal Audit function's conformance with the International Professional Practices Framework ("IPPF") and the International Standards for the Professional Practices of Internal Auditing ("Standards").

4. RELATED PARTY TRANSACTIONS

a. 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. Reviewed and deliberated on the 2019 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.

5. ANNUAL REPORTING

a. 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 2019.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Audit Committee ("AC") is assisted by GCAD in discharging its duties and responsibilities. GCAD is independent of business operations and reports functionally to the AC. GCAD is headed by Mr Shariz Puteh, who holds a bachelor's degree in Accounting and Financial Management from the University of Essex, United Kingdom and is a Certified Financial Services Auditor ("CFSA"). He is also a Chartered Member of the Institute of Internal Auditors ("CMIIA").

The primary responsibility of GCAD is to provide reasonable assurance to the AC on the effectiveness of the governance, risk management and internal control processes within the Group. GCAD is also responsible in administering Ranhill's Whistleblowing Policy and Procedures.

All internal audit activities undertaken are guided by the International Professional Practices Framework (IPPF) of Internal Auditing, the Internal Audit Charter as well as the Internal Audit policy and procedures. An annual risk-based internal audit plan is presented by GCAD to the AC for approval after having reviewed on the adequacy of the scope, functions and resources of GCAD as well as the competency of the internal auditors. GCAD adopts a risk based approach and prepares its plan based on the risk profiles of the auditable units in alignment with the strategic objectives of the Group.

During the financial year under review, GCAD had conducted assurance engagements in accordance with its revised Internal Audit Plan and conducted follow-up audits on management remedial actions on a quarterly basis. Amongst the key areas reviewed were governance, data management, project management, financial & budget, risk management, procurement, payments & receivables, operations & maintenance, mechanical & electrical and health, safety and environment. Additionally, the advisory services rendered by GCAD include reviewing of Policies and Procedures, Risk Management related matters and reviewing related party transactions.

Internal Audit reports were issued to the management and they contained key operational analysis, insights, improvements opportunities, audit observations, management response on action steps and responsible person as well as targeted date of completion of those actions. Main issues that required significant improvement were highlighted to the AC for deliberation. GCAD provides quarterly updates to management and the AC regarding the progress and status of the corrective actions.

In enhancing the Internal Auditors' knowledge and skill, GCAD had initiated a 'Guest Auditor' Programme where two (2) employees with sound technical knowledge from the Group subsidiary, RanhillSAJ were invited to be seconded and assist in performing technical and operational audits on the Water Treatment Plants.

Majority of GCAD's employees are members of relevant professional bodies such as Institute of Internal Auditors Malaysia (IIA) and Malaysia Institute of Accountants (MIA). The internal auditors are encouraged to continuously enhance their knowledge, skills and competencies through a combination of external and in-house training.

There are seven internal auditors in GCAD which incurred a total cost of RM1.32 million for the financial year ended 31 December 2019.

Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control for financial year ended 31 December 2019 (FY2019) is made pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

It is drawn up with reference to the Principles set out in the Malaysian Code on Corporate Governance 2017 ("MCCG") and the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers issued by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board of Directors ("The Board") acknowledges its overall responsibility for maintaining a sound system of risk management and internal control to safeguard shareholders' investment in the Company as well as the assets of the Company and its subsidiaries ("the Group").

To achieve this, the Board ensures that there is a robust framework of ongoing risk management process in identifying, evaluating and managing significant risks faced by the Group. This process has been in practice for the year under review up to the date of approval of this statement. The Board has also evaluated the risks associated with new businesses undertaken and major investments made during the year.

In view of the limitations inherent in any system of risk management and internal control, the Board recognizes that such a system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT

Part II of Principle B in the MCCG states that the Board should establish an effective risk management and internal control framework to manage risks. In fulfilling this responsibility, the Board has put in place a well-defined risk management structure with clearly delineated lines of accountability, authority and responsibility, as explained in the following paragraphs:

→ **Governance and Risk Management Committee ("GRMC")**

GRMC is a committee of the Board that assists the Board in fulfilling its corporate governance, risk management and statutory responsibilities in order to effectively manage the overall risk exposure of the Group. Currently, the GRMC comprises of two (2) independent non-executive directors and two (2) executive directors. The chairperson of the GRMC is an independent non-executive director. The GRMC functions within its terms of reference, and it meets at least four (4) times annually to review and deliberate all key risks identified by the Management.

→ **Management Assurance Risk & Compliance Committee ("MARCC")**

The GRMC is assisted by the MARCC in carrying out its risk oversight function. The MARCC, chaired by the Chief Corporate Officer comprises of the Group's senior management, and it is responsible for implementing the risk management policy approved by the Board. It meets on a quarterly basis to monitor the risks faced by every Ranhill Group company. The submission of the quarterly Group risk profiles detailing the principal risks and management measures together with the 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 GRMC.

→ **Risk Management Working Committees ("RMWCs")**

RMWCs are established at the respective Group Company and meets at least four (4) times a year. The RMWCs, chaired by the respective CEO of the Group Company and being risk owners are responsible for the effective management of their risk profiles. Such responsibilities include identifying potential risks and the impact thereof to the MARCC and implementing measures to mitigate those risks. Submission of the respective Group Company risk profiles, substantial risks and RMWC minutes of meeting to the Risk Management Unit ("RMU") of Group Corporate Assurance Division is performed on a quarterly basis.

→ **Group Corporate Assurance Division ("GCAD")**

GCAD under its Risk Management Unit ("RMU") assists the MARCC in the discharge of its function by guiding the risk coordinators on risk related matters of the respective Group Company. Its scope of work also includes collating all the respective Group Company risk profiles and ensuring that the risk owners implement its action plan to mitigate those risks. The RMU is responsible in preparing the Group key risk profile on a quarterly basis for submission to the MARCC and GRMC.

The Board regards risk management as an important component that underpins the Group's strategic planning process and business operations. It is on this premise that the Board has the following guiding principles to instill a culture of robust risk management across the Group:

→ **Risk Management Policy**

The Risk Management Policy and procedures coordinate and standardize the understanding and application of the Enterprise Risk Management ("ERM") framework within the Group. Also, to create a strong awareness amongst employees on risk identification, measurement, control, on-going monitoring, responsibilities and accountabilities.

→ **The Escalation of Risk and Incident Policy**

This Policy covers the process of escalating significant risks and incidences of disaster to Senior Management and the Board members of the Group in a timely manner.

→ **Risk Assessment Reviews**

Under the Risk Management Policy, all key risks identified by the Group Companies and corporate functions are categorized according to the nature of the Group's business activities, and the rating of such risks are assessed based on the likelihood of occurrence and impact via a self-assessment approach. All the respective Group Companies and corporate functions are required to report their risk profiles and its countermeasures to the RMU and MARCC on a quarterly basis. All key risks that are deemed to have a significant impact to the Group are then reported to the GRMC. The GRMC will, in turn, highlight such risks to the Board for its attention. A database on all key risks, key controls and countermeasures and status of implementation of the mitigating plans is maintained by the RMU of GCAD.

INTERNAL CONTROL

The Board, through the Audit Committee ("AC"), oversees the internal control framework to ensure operational effectiveness and adequate protection of the Group's assets. The internal control system covers policies, procedures, day-to-day activities and the overall governance of the Group. The following policies and procedures form the backbone of our internal control processes which apply to all levels of employees:

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) **Whistleblowing Policy and Procedures** 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 the Group without fear and favour.

c) **The Code of Conduct & Business Ethics (CCBE) and Procedures** 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) **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.

f) **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.

INTERNAL AUDIT FUNCTION

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 Audit Committee ("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 and internal and external auditors, the Board is of the view and to the best of its knowledge confident that the system of risk management and internal control is satisfactory and adequate to safeguard the Group's and Stakeholders' interests, and Group's assets.

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

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guides 3 ("AAPG 3"), Guide for Auditors on Engagements to Report on the Statements on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2019, 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 27 February 2020.

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 2019 and of their financial performance and cash flows for the financial year ended 31 December 2019.

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 93 to 233 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2019.

FINANCIAL STATEMENT

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 2019.

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 19, Note 20 and Note 21 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	130,856	64,698
Profit attributable to:		
Owners of the parent	81,161	64,698
Non-controlling interests	49,695	-
	130,856	64,698

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual, other than the gain amounting to RM110,289,000 arising from the waiver of lease rental previously paid to Pengurusan Aset Air Berhad ("PAAB") as disclosed in Note 5 to the financial statements.

DIVIDENDS

The amounts of dividends paid and to be paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Third interim tax exempt (single-tier) dividend of 1.0 sen on 888,315,767 ordinary shares, declared on 28 February 2019 and paid on 1 April 2019	8,883
Final tax exempt (single-tier) dividend of 1.0 sen on 888,315,767 ordinary shares, declared on 18 March 2019 and paid on 14 May 2019	8,883
In respect of the financial year ended 31 December 2019:	
First interim tax exempt (single-tier) dividend of 1.0 sen on 1,065,975,159 ordinary shares, declared on 10 July 2019 and paid on 9 August 2019	10,660
Second interim tax exempt (single-tier) dividend of 2.0 sen on 1,065,975,159 ordinary shares under the Dividend Reinvestment Plan, declared on 7 November 2019 and to be paid on 30 January 2020	21,320
	49,746

The Board of Directors had on 27 February 2020, declared a third interim tax exempt (single-tier) dividend of 1.0 sen on 1,072,936,566 ordinary share in respect of the financial year ended 31 December 2019 amounting to RM10,729,000 and to be paid on 31 March 2020. 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 2020.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2019, of 1.0 sen per share on 1,072,936,566 ordinary shares, amounting to a dividend payables of RM10,729,000 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 2020.

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
Datuk Abdullah Bin Karim
Lim Hun Soon @ David Lim
Leow Peen Fong**
Loong Mei Yin
Abu Talib Bin Abdul Rahman**

** These directors are also directors of the Company's subsidiaries.

DIRECTORS (CONTD.)

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 Bin Ismail
Christopher Ng Chung Yee
Zurina Binti Abdul Rahim
Dato' Dr Shahir Bin Nasir
Datuk Mustaza Bin Salim
Datuk Ir. Abdul Kadir Bin Mohd Din
Narendran Maniam (Resigned on 21 August 2019)
Supasak Chirasavinuprapand
Abinash Majhi
Praphant Asavaaree (Resigned on 15 August 2019)
Dato' Haji Azmi Bin Rohani
Jimmy Puah Wee Tse
Dato' Sri Dr. Mohmad Isa Bin Hussain
Ng Ching Hai
Mohd Izhar Bin Ahmad
Datuk Mohd Zaid Bin Ibrahim
Ramle Bin Dua @ Ramli Dua Lee
Dato' Shaiful Annuar Bin Ahmad Shaffie (Appointed on 29 January 2019)
Amran Bin Awaluddin (Appointed on 15 July 2019)
Ir Dr Baran Bin Razali (Appointed on 15 July 2019 and Resigned on 31 December 2019)
Phua Kay Choon James

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 the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' BENEFITS (CONTD.)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	1,765	962
Other emoluments	1,282	1,085
Salaries and bonus	10,336	8,071
Defined contribution plan	318	217
Benefits-in-kind	643	617
	14,344	10,952

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 2019 was RM180,000.

The total amount of sum insured for directors of the Group for the financial year amounted to RM50,000,000.

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' 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 1.1.2019	Acquired	Sold	At 31.12.2019
Name of director				
Direct interest:				
Ordinary shares of the Company				
Tan Sri Mohamed Azman Bin Yahya	1,500,000	500,000	-	2,000,000
Tan Sri Hamdan Mohamad	42,760,000	77,693,100	-	120,453,100
Abu Talib Bin Abdul Rahman	27,000	5,400	-	32,400

DIRECTORS' INTERESTS (CONTD.)

	Number of ordinary shares			
	At 1.1.2019	Acquired	Sold	At 31.12.2019
Name of director (contd.)				
Deemed interest:				
Ordinary shares of the Company				
Tan Sri Mohamed Azman Bin Yahya	16,500,000 (1)	3,300,000	(16,800,000)	3,000,000 (1)
Tan Sri Hamdan Mohamad	272,610,098 (2)	130,354,827	(153,868,808)	249,096,117 (2)

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

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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from 888,315,767 ordinary shares to 1,065,975,159 by way of the issuance of 177,659,392 bonus issue on the basis of one (1) new ordinary share for every five (5) existing ordinary share held in the Company on 30 April 2019.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

  (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

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

SIGNIFICANT EVENTS

Significant events are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 47 to the financial statements.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young		
- Malaysia	1,138	110
- Member firms of Ernst & Young Global	410	-
Other auditors	42	-
	1,590	110

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 March 2020.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

Statement by Directors

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

We, Tan Sri Mohamed Azman Bin Yahya and Tan Sri Hamdan Mohamad, being two of the directors of Ranhill Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 107 to 233 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 2019 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 10 March 2020.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

Statutory Declaration

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

I, Choo Chee Keen, being the officer primarily responsible for the financial management of Ranhill Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements and supplementary information set out on pages 107 to 233 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 Declaration Act, 1960.

Subscribed and solemnly declared
by the abovenamed Choo Chee Keen (MIA 19773)
at Kuala Lumpur in the Federal Territory
on 10 March 2020

Choo Chee Keen

Before me,

Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ranhill Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 107 to 233.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards)("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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.

Key audit matters (contd.)

Uncertain tax position

(Refer Note 18 – 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 RM42,727,000 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.

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 2025, requiring a potential reversal of deferred tax asset to the income statement of RM42,727,000. RanhillPower II, through its tax consultant, had 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 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 continously 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.

Key audit matters (contd.)

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.

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 RM1.2 billion, representing 75% 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.

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.

Key audit matters (contd.)

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

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.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of 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.

Responsibilities of the directors for the financial statements (contd.)

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 19 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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Chong Tse Heng
No. 03179/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
10 March 2020

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	1,629,831	1,559,856	86,308	61,225
Cost of sales	5	(1,067,971)	(1,089,189)	-	-
Gross profit		561,860	470,667	86,308	61,225
Other items of income					
Interest income	6	54,471	57,588	-	-
Other income	7	13,951	15,519	13	1
Other items of expense					
Administrative expenses		(296,923)	(262,670)	(21,611)	(12,727)
Other operating expenses		(1,285)	(2,965)	-	-
Tendering and marketing expenses		(922)	(2,018)	-	-
Finance costs	8	(98,001)	(125,602)	(12)	(19)
Zakat		(6,787)	(5,516)	-	-
Share of results of associates		9,906	7,112	-	-
Profit before tax	9	236,270	152,115	64,698	48,480
Income tax expense	12	(105,414)	(66,645)	-	(7)
Profit net of tax		130,856	85,470	64,698	48,473
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation, representing total other comprehensive income/(loss)		1,460	(2,094)	-	-
Total comprehensive income for the financial year		132,316	83,376	64,698	48,473

Statements of Comprehensive Income

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit net of tax attributable to:					
Owners of the parent		81,161	42,308	64,698	48,473
Non-controlling interests		49,695	43,162	-	-
		130,856	85,470	64,698	48,473
Total comprehensive income attributable to:					
Owners of the parent		82,621	40,217	64,698	48,473
Non-controlling interests		49,695	43,159	-	-
		132,316	83,376	64,698	48,473

	Note	Group 2019	Group 2018
Earnings per share attributable to owners of the parent			
- Basic and diluted, for the year (cents)	45	7.6	4.0

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

Statements of Financial Position

As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current assets					
Property, plant and equipment	13	578,891	573,848	8	326
Service concession assets	14	327,299	661,061	-	-
Intangibles	15	299,293	295,025	-	-
Right-of-use assets	16	10,123	-	189	-
Finance lease receivable	17	409,342	460,699	-	-
Deferred tax assets	18	64,780	130,366	-	-
Investment in a subsidiary	19	-	-	1,195,000	1,195,000
Investment in a joint venture	20	-	5	-	5
Investment in associates	21	160,924	155,223	-	-
Operating financial assets	22	89,354	43,756	-	-
Trade and other receivables	23	160,593	70,408	-	-
Contract assets	24	135	35,377	-	-
Other non-current asset	26	12,026	13,975	-	-
		2,112,760	2,439,743	1,195,197	1,195,331
Current assets					
Finance lease receivable	17	51,357	47,657	-	-
Operating financial assets	22	9,496	6,585	-	-
Trade and other receivables	23	211,390	249,352	159,747	115,534
Contract assets	24	24,302	32,823	-	-
Inventories	25	89,070	89,381	-	-
Tax recoverable		1,358	7,272	18	18
Other current assets	26	11,064	33,990	10	-
Other financial assets	27	75,635	72,894	-	-
Deposits, cash and bank balances	28	453,892	355,876	973	379
		927,564	895,830	160,748	115,931
Total assets		3,040,324	3,335,573	1,355,945	1,311,262

Statements of Financial Position

As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Current liabilities					
Retirement benefit obligations	29	11,162	15,829	-	-
Hire purchase payables	30	-	1,014	-	113
Loans and borrowings	31	93,076	89,908	118	-
Zakat	32	11,492	8,093	-	-
Trade and other payables	33	300,390	260,275	46,506	16,662
Contract liabilities	24	57	23	-	-
Service concession obligations	34	328,970	333,822	-	-
Tax payable		15,825	501	-	-
		760,972	709,465	46,624	16,775
Net current assets		166,592	186,365	114,124	99,156
Non-current liabilities					
Retirement benefit obligations	29	72,370	72,561	-	-
Hire purchase payables	30	-	1,935	-	179
Loans and borrowings	31	1,073,042	1,113,401	61	-
Trade and other payables	33	1,076	1,216	-	-
Service concession obligations	34	-	352,581	-	-
Consumer deposits	35	251,458	244,364	-	-
Deferred tax liabilities	18	81,298	83,299	-	-
		1,479,244	1,869,357	61	179
Total liabilities		2,240,216	2,578,822	46,685	16,954
Net assets		800,108	756,751	1,309,260	1,294,308
Equity attributable to owners of the parent					
Share capital	36	1,275,319	1,275,319	1,275,319	1,275,319
Other reserves	37	(693,075)	(725,950)	33,941	18,989
		582,244	549,369	1,309,260	1,294,308
Non-controlling interests		217,864	207,382	-	-
Total equity		800,108	756,751	1,309,260	1,294,308
Total equity and liabilities		3,040,324	3,335,573	1,355,945	1,311,262

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 2019

	Attributable to the equity holders of the parent							
	Non-distributable				Distributable			
	Share capital 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 2019	1,275,319	11,547	1,063	(906,015)	167,455	549,369	207,382	756,751
Total comprehensive income	-	1,460	-	-	81,161	82,621	49,695	132,316
Unwinding on interest expense on CULS attributable to non-controlling interests	-	-	-	-	-	-	(163)	(163)
CULS interest paid to non-controlling interests	-	-	-	-	-	-	(1,450)	(1,450)
Dividends on ordinary shares (Note 38)	-	-	-	-	(49,746)	(49,746)	(37,600)	(87,346)
At 31 December 2019	1,275,319	13,007	1,063	(906,015)	198,870	582,244	217,864	800,108

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

	← Attributable to the equity holders of the parent →							
	← Non-distributable →				Distributable			
	Share capital 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 MFRS 9	-	-	-	-	(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 38)	-	-	-	-	(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

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 2019

	Attributable to equity holders of the Company		
	Non-distributable	Distributable	
	Share capital	Retained earnings	Total
	RM'000	RM'000	RM'000
Company			
At 1 January 2019	1,275,319	18,989	1,294,308
Total comprehensive income for the financial year	-	64,698	64,698
Transaction with owners			
Dividends on ordinary shares (Note 38)	-	(49,746)	(49,746)
At 31 December 2019	1,275,319	33,941	1,309,260
At 1 January 2018	1,275,319	41,580	1,316,899
Total comprehensive income for the financial year	-	48,473	48,473
Transaction with owners			
Dividends on ordinary shares (Note 38)	-	(71,064)	(71,064)
At 31 December 2018	1,275,319	18,989	1,294,308

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 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	236,270	152,115	64,698	48,480
Adjustments for:				
Depreciation of property, plant and equipment	52,745	51,670	4	129
Depreciation of right-of-use assets	2,180	-	125	-
Net gain on disposal of property, plant and equipment	(121)	(94)	-	-
Property, plant and equipment written off	207	144	-	-
Amortisation of service concession asset	324,067	330,564	-	-
Waiver of lease rental from PAAB	(110,289)	-	-	-
Amortisation of software	989	668	-	-
Amortisation of operating rights	-	37	-	-
Share of results of associates	(9,906)	(7,112)	-	-
Provision for retirement benefit plan	8,228	9,166	-	-
Net bad debts written off	1,000	1,858	-	-
Zakat	6,787	5,516	-	-
Inventories written off	173	30	-	-
Impairment on investment in an associate	-	18,451	-	-
Investment in a joint venture written off	5	-	5	-
Allowance for expected credit losses on: (Note 23)				
- Trade receivables	2,900	3,206	-	-
- Other receivables	5,776	3,500	-	-
Net unrealised foreign exchange loss/(gain)	1,675	3,457	(10)	12
Reversal for liquidated ascertained damages	(351)	(759)	-	-
Dividend income	-	-	(86,308)	(61,225)
Interest income	(54,471)	(57,588)	-	-
Reversal of impairment of expected credit losses on trade receivables	-	(3,541)	-	-
Finance costs	98,001	125,602	12	19
Operating profit/(loss) before working capital changes carried forward	565,865	636,890	(21,474)	(12,585)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes brought forward	565,865	636,890	(21,474)	(12,585)
Receivables	46,963	14,343	(44,213)	23,668
Payables	8,659	(134,730)	29,844	(958)
Inventories	138	(7,899)	-	-
Finance lease receivables	84,168	84,168	-	-
Operating financial assets	(83,976)	21,356	-	-
Contract assets	90,514	(101,940)	-	-
Contract liabilities	34	23	-	-
Other non-current and current assets	24,875	24,408	-	-
Cash generated from/(used in) operations	737,240	536,619	(35,843)	10,125
Retirement benefits plan paid	(13,150)	(8,901)	-	-
Zakat paid	(3,388)	(6,949)	-	-
Tax paid	(20,591)	(23,596)	-	(25)
Repayments of lease rental payable to PAAB	(350,190)	(343,212)	-	-
Net cash generated from/(used in) operating activities	349,921	153,961	(35,843)	10,100
Cash flows from investing activities				
Purchase of property, plant and equipment	(64,373)	(36,276)	-	-
Purchase of right-of-use assets	(2,918)	-	-	-
Proceeds from disposal of property, plant and equipment	18	299	-	-
Proceeds from disposal of right-of-use assets	754	-	-	-
Disposal of short term investments	(2,741)	(60,545)	-	-
Purchase of software	(5,257)	(1,521)	-	-
Dividend received	-	-	86,308	61,225
Interest received	13,294	11,408	-	-
Net cash (used in)/generated from investing activities	(61,223)	(86,635)	86,308	61,225

Statements of Cash Flows

For the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
(Placement)/withdrawal of fixed deposits with banking facilities	(131,531)	114,764	-	-
Finance lease principal repayments	-	(1,495)	-	(125)
Repayment of lease liabilities	(3,012)	-	(125)	-
Repayment of loans and borrowings	(53,793)	(604,207)	-	-
Drawdown of loans and borrowings	3,086	664,388	-	-
Dividends paid	(68,276)	(86,414)	(49,746)	(71,064)
Interest paid	(70,299)	(98,022)	-	-
Net cash used in financing activities	(323,825)	(10,986)	(49,871)	(71,189)
Net (decrease)/increase in cash and cash equivalents	(35,127)	56,340	594	136
Effect of exchange rate changes on cash and cash equivalents	1,612	3,135	-	-
Cash and cash equivalents at beginning of year	200,817	141,342	379	243
Cash and cash equivalents at year end (Note 28)	167,302	200,817	973	379
Plant and equipment were acquired by way of the following means:				
Cash	64,373	36,276	-	-
Finance lease	-	99	-	-
	64,373	36,375	-	-

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

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 19, 20 and 21 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 10 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs and interpretation which are mandatory for annual financial periods beginning on or after 1 January 2019 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost convention unless indicated otherwise in the accounting policies below.

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

2.2 Changes in accounting policies

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

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

Descriptions	Effective for annual periods beginning on or after
MFRS 16: Leases	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	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
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in accounting policies (contd.)

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:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application. Accordingly, comparatives are not restated. There are no impact upon the adoption for the Company.

The effect of adopting MFRS 16 to the statements of financial position of the Group and of the Company as at 1 January 2019 are as follows:

Group

Statement of financial position - 1 January 2019

		Impact of change in accounting policies		
	Note	As previously reported RM'000	MFRS 16 adjustments RM'000	After adjustments RM'000
Non-current assets				
Property, plant and equipment	(a)	573,848	(6,422)	567,426
Right-of-use assets	(a),(b)	-	9,281	9,281
Impact to non-current assets		573,848	2,859	576,707
Non-current liability				
Loans and borrowings	(a),(b)	(1,113,401)	(3,688)	(1,117,089)
Finance lease payables	(a)	(1,935)	1,935	-
Impact to non-current liabilities		(1,115,336)	(1,753)	(1,117,089)
Current liability				
Loans and borrowings	(a),(b)	(89,908)	(2,120)	(92,028)
Finance lease payables	(a)	(1,014)	1,014	-
Impact to non-current liabilities		(90,922)	(1,106)	(92,028)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

The effect of adopting MFRS 16 to the statements of financial position of the Group and of the Company as at 1 January 2019 are as follows: (contd.)

Company

Statement of financial position - 1 January 2019

		Impact of change in accounting policies		
	Note	As previously reported RM'000	MFRS 16 adjustments RM'000	After adjustments RM'000
Non-current assets				
Property, plant and equipment	(a)	326	(314)	12
Right-of-use assets	(a),(b)	-	314	314
Impact to non-current assets		326	-	326
Non-current liability				
Loans and borrowings	(a),(b)	-	(179)	(179)
Finance lease payables	(a)	(179)	179	-
Impact to non-current liabilities		(179)	-	(179)
Current liability				
Loans and borrowings	(a),(b)	-	(113)	(113)
Finance lease payables	(a)	(113)	113	-
Impact to non-current liabilities		(113)	-	(113)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Please refer to Note 2.20 for the accounting policy on leases beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

(a) *Leases previously accounted for as finance leases*

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use ("ROU") assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117) and these finance leases which were previously presented as part of property, plant and equipment are now presented within ROU assets. Accordingly, the finance lease liabilities have also been reclassified to lease liabilities. The requirements of MFRS 16 were applied to these leases from 1 January 2019.

(b) *Leases previously accounted for as operating leases*

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and the Group has opted for the ROU assets to be carried at an amount equal to the lease liabilities, adjusted by the amount of the prepaid lease payments. Subsequently, accrued operating lease liabilities have also been reclassified to lease liabilities.

The Group and the Company applied the following practical expedients permitted under the initial application of MFRS 16:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e.. leases with a similar remaining lease term for a similar class of underlying assets);

- relied on its assessment of whether leases are onerous before the date of initial application as an alternative to performing an impairment review; and

- excluded the initial direct costs from the measurement of the ROU assets at the date of initial application.

Based on the above, as at 1 January 2019:

- Right-of-use assets of RM9,281,000 and RM314,000 for the Group and for the Company respectively were recognised and presented separately in the statements of financial position. These include the leased assets recognised previously under finance leases of RM2,363,000 and RM314,000 for the Group and for the Company were reclassified from property, plant and equipment.

- Additional lease liabilities of RM5,808,000 and RM292,000 (included in loans and borrowings) for the Group and for the Company respectively were recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in accounting policies (contd.)

MFRS 16 Leases (contd.)

The operating lease commitments as at 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows:

	Group RM'000
Operating lease commitments disclosed as at 31 December 2018	1,517
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(790)
	727
Weighted average incremental borrowing rate as at 1 January 2019	5.30%
Discounted using the lessee's incremental borrowing rate at the date of initial application	569
Add: finance lease liabilities previously recognised under MFRS 117 as at 31 December 2018	2,948
Add: extension options reasonably certain to be exercised	2,291
Lease liabilities recognised as at 1 January 2019	5,808

2.3 Standards issued but not yet effective

The standards 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 101 and MFRS 108: Definition of Material (Amendments to MFRS 101 and MFRS 108)	1 January 2020
MFRS 3: Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
Conceptual Framework: Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	Deferred

The directors expect that the adoption of the above standards will not have a material impact on the financial statements in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

Business combination

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Basis of consolidation (contd.)

Business combination (contd.)

(a) Acquisition method (contd.)

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).

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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Subsidiaries

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

2.6 Joint venture

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.6 Joint venture (contd.)

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.

2.7 Associate

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

2.8 Transactions with non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.8 Transactions with non-controlling interests (contd.)

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 transaction and balances

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

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

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

(c) Foreign operations

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Foreign currency (contd.)

(c) Foreign operations (contd.)

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	2019 RM	2018 RM
1 United States Dollar ("USD")	4.00	4.14
1 Thai Baht ("THB")	0.14	0.13
1 Chinese Yuan Renminbi ("CNY")	1.00	0.60
1 Hong Kong Dollar ("HKD")	1.00	0.53

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.10 Intangible assets (contd.)

(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.

(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:

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

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

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

2.12 Impairment of non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.12 Impairment of non-financial assets (contd.)

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.

2.13 Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Financial assets (contd.)

Initial recognition and measurement (contd.)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Financial assets (contd.)

Subsequent measurement (contd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Financial assets (contd.)

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 their rights to receive cash flows from the asset or have 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.

When the Group and the Company have transferred their 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 assets

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 assets (contd.)

The Group and the Company consider a financial asset in default when contractual payments are 30 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.14 Financial liabilities (contd.)

Subsequent measurement (contd.)

(b) Other financial liabilities

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

After initial recognition, trade and other payables and 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 trade and other payables and interest-bearing loans and borrowings. For more information, refer to Note 31 and Note 33.

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.

2.15 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.15 Service concession contracts (contd.)

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

Intangible asset model

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

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

Under the intangible asset model, revenue includes:

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

- operating revenue of the infrastructure.

Financial asset model

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

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

- amounts specified or determined in the contracts; or

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.15 Service concession contracts (contd.)

Financial asset model (contd.)

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.

2.16 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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.20 Leases

Current financial year

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

(a) ROU assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group elected to apply the practical expedient not to separate out non-lease components from lease components and instead account for the lease and non-lease component as a single component.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	2% - 50%
Office equipment	20% - 25%
Motor vehicles	10% - 20%

The ROU assets are also subject to impairment. Refer to Note 2.12 for accounting policy on impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.20 Leases (contd.)

Current financial year (contd.)

(b) Lease liabilities (contd.)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

The Group's lease liabilities are included in loans and borrowings. Please refer to Note 31.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Previous financial year

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases 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. Contingent rents, if any, are charged as expenses in the period in which they are incurred. All other leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.20 Leases (contd.)

Previous financial year (contd.)

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, net of any incentives received from the lessor, are recognised as an expense in profit and loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.21 Borrowings 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.

2.22 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.22 Income tax (contd.)

(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 taxable temporary differences, except:

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.22 Income tax (contd.)

(b) Deferred tax (contd.)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

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 and other revenue

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 they are the principal in its revenue arrangements, because they 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 and other revenue (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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.26 Revenue from contracts with customers and other revenue (contd.)

(a) Water revenue (contd.)

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) Contribution by housing developers

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

(d) 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.

(e) 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.

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.26 Revenue from contracts with customers and other revenue (contd.)

(g) 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.

(h) 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.

(i) Technical and management services

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

(j) Dividend income

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

<u>Other items of revenue and income</u>

(k) Rental income

Rental income is generated from operating lease of the Group's power station. It is accounted for under MFRS 16 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.

(l) Interest income

Interest income is recognised using effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

2.28 Fair value measurement

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.28 Fair value measurement (contd.)

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

2.29 Current versus non-current classification

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.29 Current versus non-current classification (contd.)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.30 Segment reporting

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

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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTD.)

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

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

(b) Income taxes

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

(c) Deferred tax assets

Deferred tax assets are recognised for unabsorbed capital allowances, unutilised reinvestment allowances, unutilised investment allowances, infrastructure allowances, tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the capital allowances, unutilised reinvestment allowances, unutilised investment allowances, infrastructure allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in Note 18.

(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 23.

(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 24.

4. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Water revenue	1,159,411	1,120,630	-	-
Sale of electricity	234,000	200,058	-	-
Rental income from operating lease of power station	96,908	109,305	-	-
Contribution by housing developers	54,434	60,299	-	-
Non-revenue water reduction fees	20,726	4,784	-	-
Construction contract revenue	36,331	42,470	-	-
Operation and maintenance revenue	15,434	11,494	-	-
Special works	11,949	10,687	-	-
Sale of equipment	220	1	-	-
Technical and management services	418	128	-	-
Dividend income	-	-	86,308	61,225
	1,629,831	1,559,856	86,308	61,225

5. COST OF SALES

	Group	
	2019	2018
	RM'000	RM'000
Water and its related costs	767,002	829,848
Power and its related costs	258,290	216,943
Construction contract costs	29,617	31,297
Operation and maintenance costs	12,920	9,349
Cost of equipment	142	20
Consultancy cost	-	1,732
	1,067,971	1,089,189

Included in the water and its related costs is an amount of RM110,289,000 being the gain arising from the waiver of lease rental previously paid to Pengurusan Aset Air Berhad ("PAAB"). The gain is computed based on the present value of the total waiver amount of RM121,728,000 which is to be recovered via a reduction of future lease payment over 5 years.

6. INTEREST INCOME

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income:				
- Finance lease income (Note 17)	36,511	39,944	-	-
- Fixed deposits	12,202	11,408	-	-
- Finance income from operating financial assets	4,666	3,888	-	-
- Islamic Money Market fund	1,092	907	-	-
- Financial assets at amortised cost	-	1,441	-	-
	54,471	57,588	-	-

7. OTHER INCOME

Included in other income are:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Unrealised foreign exchange gain	1	-	10	-
Realised foreign exchange gain	136	4,636	-	-
Gain on disposal of property, plant and equipment	121	94	-	-
Rental income	1,918	1,681	-	-
Claim from customer	1,127	2,326	-	-
Sales of scrap item	595	18	-	-
Reversal of expected credit losses on trade receivables (Note 23)	-	3,541	-	-
Relinquishment of guarantee fees	6,680	-	-	-

8. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Sukuk Musharakah	-	4,425	-	-
Sukuk Murabahah	40,683	37,444	-	-
Musharakah Medium Term Notes ("mMTN")	32,338	35,219	-	-
Unwinding of interest of service concession obligations (Note 34)	22,804	37,991	-	-
Term loans	1,563	978	-	-
Bank overdrafts	10	126	-	-
Unwinding of discount on payables	128	2,458	-	-
Finance leases	-	23	-	19
Guarantee fees	220	6,900	-	-
Lease liabilities (Note 16)	176	-	14	-
Others	79	38	-	-
	98,001	125,602	14	19

9. PROFIT BEFORE TAX

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- Statutory audit				
- Current year	1,590	1,490	110	105
- Underprovision in prior year	88	8	23	-
- Others	148	221	8	-
Amortisation of service concession assets (Note 14)	324,067	330,564	-	-
Amortisation of software (Note 15)	989	668	-	-
Amortisation of operating rights (Note 15)	-	37	-	-
Depreciation of right-of-use assets (Note 16)	2,180	-	125	-
Depreciation of property, plant and equipment (Note 13)	52,745	51,670	4	129
Employee benefits expense (Note 10)	249,423	208,714	-	-
Directors' remuneration (Note 11)	21,423	14,568	10,952	7,129

9. PROFIT BEFORE TAX (CONTD.)

The following items have been included in arriving at profit before tax: (contd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	1,000	1,858	-	-
Sports related contribution	20,000	-	-	-
Impairment of investment in an associate (Note 21)	-	18,451	-	-
Investment in a joint venture written off (Note 20)	5	-	5	-
Allowance for expected credit losses on: (Note 23)				
- Trade receivables	2,900	3,206	-	-
- Other receivables	5,776	3,500	-	-
Operating lease rentals:				
- Land and buildings	295	1,118	-	-
- Motor vehicles and equipment	1,730	610	-	-
Property, plant and equipment written off (Note 13)	207	144	-	-
Reversal of provision for liquidated ascertained damages	(351)	(759)	-	-
Inventories written off	173	30	-	-
Net unrealised foreign exchange loss	1,675	3,457	-	12
Net realised foreign exchange loss	-	95	-	-

10. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	2018
	RM'000	RM'000
Wages, salaries and bonus	167,557	136,065
Employee allowances	30,592	28,601
Defined contribution plan	21,137	17,256
Defined benefit retirement plan (Note 29)	8,228	9,166
Other staff related expenses	21,909	17,626
	249,423	208,714

11. DIRECTORS' REMUNERATIONS

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Non-executive directors:				
Fees	1,597	1,513	962	1,246
Other emoluments	222	194	221	194
	1,819	1,707	1,183	1,440
Executive directors:				
Fees	168	218	-	-
Salaries and bonus	10,336	6,455	8,071	4,374
Defined contribution plan	318	450	217	314
Other emoluments	1,060	1,046	864	864
Benefits-in-kind	643	137	617	137
	12,525	8,306	9,769	5,689
Other directors of the Group:				
Fees	2,789	1,955	-	-
Salaries and bonus	3,640	2,178	-	-
Defined contribution plan	396	261	-	-
Other emoluments	154	57	-	-
Benefits-in-kind	100	104	-	-
	7,079	4,555	-	-
Total	21,423	14,568	10,952	7,129

12. INCOME TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income tax				
Current income tax:				
- Malaysian income tax	41,223	19,492	-	7
- Foreign income tax	-	51	-	-
- Under/(over)provision in prior year	538	(1,305)	-	-
	41,761	18,238	-	7
Deferred tax: (Note 18)				
- Origination and reversal of deferred tax	61,705	46,456	-	-
- Relating to foreign deferred tax	415	-	-	-
- Underprovision in prior year	1,533	1,951	-	-
	63,653	48,407	-	-
Income tax expense	105,414	66,645	-	7

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018: 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	236,270	152,115	64,698	48,480
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	56,705	36,508	15,528	11,635
Different tax rates in other countries	(4)	(54)	-	-
Expenses not deductible for tax purposes	32,539	31,259	5,186	3,066
Income not subject to tax	(1,368)	(1,361)	(20,714)	(14,694)
Deferred tax recognised at different tax rate	67	(462)	-	-
Deferred tax asset not recognised	15,404	109	-	-
Underprovision of deferred tax in prior year	1,533	1,951	-	-
Under/(over)provision of income tax in prior year	538	(1,305)	-	-
	105,414	66,645	-	7

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 2019	245,804	6,633	199,398	54,556	6,999	675,358	47,880	19,552	1,256,180
Adjustments upon adoption of MFRS 16 (Note 2.2)	-	-	-	(5,482)	(6,999)	-	-	-	(12,481)
At 1 January 2019 (restated)	245,804	6,633	199,398	49,074	-	675,358	47,880	19,552	1,243,699
Additions	10,609	39	9,896	700	-	-	-	43,129	64,373
Disposals	-	-	(99)	-	-	-	-	-	(99)
Transfer	24,485	72	4,594	-	-	-	-	(29,151)	-
Written off	(133)	-	(12,251)	-	-	-	-	-	(12,384)
Exchange differences	-	-	159	-	-	-	-	-	159
At 31 December 2019	280,765	6,744	201,697	49,774	-	675,358	47,880	33,530	1,295,748

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 2019	134,016	1,234	178,426	45,675	2,940	287,346	32,695	-	682,332
Adjustments upon adoption of MFRS 16 (Note 2.2)	-	-	-	(3,119)	(2,940)	-	-	-	(6,059)
At 1 January 2019 (restated)	134,016	1,234	178,426	42,556	-	287,346	32,695	-	676,273
Charge for the year (Note 9)	26,677	163	6,895	2,272	-	16,127	611	-	52,745
Disposals	-	-	(81)	-	-	-	-	-	(81)
Written off	(94)	-	(12,083)	-	-	-	-	-	(12,177)
Exchange differences	-	-	97	-	-	-	-	-	97
At 31 December 2019	160,599	1,397	173,254	44,828	-	303,473	33,306	-	716,857

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									
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.)

	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
Net carrying amount:									
At 31 December 2019	120,166	5,347	28,443	4,946	-	371,885	14,574	33,530	578,891
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 2019/31 December 2018	19	627	646
Adjustments upon adoption of MFRS 16 (Note 2.2)	-	(627)	(627)
At 1 January 2019 (restated)/31 December 2019	19	-	19
Accumulated depreciation:			
At 1 January 2019	7	313	320
Adjustment upon adoption of MFRS 16 (Note 2.2)	-	(313)	(313)
At 1 January 2019 (restated)	7	-	7
Charge for the year (Note 9)	4	-	4
At 31 December 2019	11	-	11
At 1 January 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 2019	8	-	8
At 31 December 2018	12	314	326

Assets held under hire purchase

During the financial year, the Group acquired motor vehicles with an aggregate cost of RM1,393,000 (2018: RM199,000) of which RM694,000 (2018: RM99,000) were acquired by means of hire purchase 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 hire purchase as at 31 December 2019 was RM1,763,000 (2018: RM2,363,000) and RM188,000 (2018: RM314,000) respectively.

Hire purchase assets are pledged as security for the related hire purchase liabilities (Note 30).

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Assets pledged as security

In addition to assets held under hire purchase, certain Group's property, plant and equipment amounting to RM546,000 (2018: RM503,000) are pledged as security to financial institutions as security for loans and borrowings, as disclosed in Note 31.

14. SERVICE CONCESSION ASSETS

	Group	
	2019	2018
	RM'000	RM'000
Cost		
At beginning of the year	991,625	-
Additions	7,654	991,625
Reversal due to waiver of future lease payment	(17,349)	-
At end of the year	981,930	991,625
Accumulated amortisation		
At beginning of the year	330,564	-
Amortisation charge for the financial year (Note 9)	324,067	330,564
At end of the year	654,631	330,564
Net carrying amount	327,299	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.

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.

14. SERVICE CONCESSION ASSETS (CONTD.)

On 11 March 2009, a subsidiary of the Group, Ranhill SAJ Sdn. Bhd. ("RanhillSAJ") 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;

(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	
	2019	2018
	RM'000	RM'000
Goodwill	11,165	11,165
Service license	282,356	282,356
Software	5,772	1,504
Operating rights	-	-
	299,293	295,025

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

Impairment test of service license and goodwill

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

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

	Water services	
	2019	2018
	%	%
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.

15. INTANGIBLES (CONTD.)

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	
	2019	2018
	RM'000	RM'000
Cost		
At beginning/end of the financial year	3,465	3,465
Accumulated amortisation		
At beginning of the financial year	3,465	3,346
Amortisation charge for the financial year (Note 9)	-	37
Exchange differences	-	82
At end of the financial year	3,465	3,465
Net carrying amount	-	-

Software

	Group	
	2019	2018
	RM'000	RM'000
Cost		
At beginning of the financial year	14,888	13,366
Additions	5,257	1,521
Exchange differences	4	1
At end of the financial year	20,149	14,888
Accumulated amortisation		
At beginning of the financial year	13,384	12,715
Amortisation charge for the financial year (Note 9)	989	668
Exchange differences	4	1
At end of the financial year	14,377	13,384
Net carrying amount	5,772	1,504

16. RIGHT-OF-USE ASSETS

Group as a lessee

	Land and buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Carrying amount				
At 1 January 2019	6,837	2,362	82	9,281
Additions	897	2,655	60	3,612
Disposals	-	(633)	-	(633)
Depreciation expenses for the financial year (Note 9)	(1,331)	(825)	(24)	(2,180)
Exchange differences	43	-	-	43
At 31 December 2019	6,446	3,559	118	10,123

Company as a lessee

	Land and buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Carrying amount				
At 1 January 2019	-	314	-	314
Depreciation expenses for the financial year (Note 9)	-	(125)	-	(125)
At 31 December 2019	-	189	-	189

The Group and the Company have lease contracts for various items of land and buildings, motor vehicles and other office equipment used in their operations. Leases of land and buildings generally have lease terms between 2 to 50 years while motor vehicles and other equipment generally have lease terms between 2 and 6 years. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Group and the Company to sublet the lease asset to another party.

The Group also has certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group apply the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

16. RIGHT-OF-USE ASSETS (CONTD.)

Group as a lessee (contd.)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the financial year:

	Group 2019 RM'000	Company 2019 RM'000
At 1 January	2,949	292
Impact arising from adoption of MFRS 16	2,859	-
At 1 January (adjusted)	5,808	292
Additions	3,500	-
Accretion of interest (Note 8)	176	12
Settlement	(3,012)	(125)
Exchange differences	43	-
At 31 December	6,515	179
Analysed as:		
Current	2,199	118
Non-current	4,316	61
	6,515	179

The maturity analysis of lease liabilities are disclosed in Note 43.

The following amounts are the amounts recognised in profit or loss:

	Group 2019 RM'000
Depreciation expense of right of use assets	2,180
Interest expense on lease liabilties	176
Expenses included in administrative expenses:	
- short-term leases	740
- leases of low value assets	49
	3,145

The Group has total cash outflow for leases amounting to RM1,501,000.

16. RIGHT-OF-USE ASSETS (CONTD.)

Group as a lessor

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. As such, future minimum rentals receivable under non-cancellable operating leases as at 31 December 2019 are as follows:

	Office building RM'000	Power station RM'000
Operating lease		
Within one year	1,670	70,233
After one year but not more than five years	4,742	213,082
More than five years	-	257,716
	6,412	541,031

Power station represents a single lease arrangement in relation to its partially owned subsidiary, Ranhill Powertron Sdn. Bhd. ("RanhillPower I")'s 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 1 July 2008. The rental income arising from this arrangement is RM96,908,000 as disclosed in Note 4.

Office building represents the sublease of building for 3 years with an option to renew for an additional 3 years. The rental income arising from this arrangement is RM1,918,000 as disclosed in Note 7.

Finance lease

	RM'000
Within one year	51,357
After one year but not more than five years	173,683
More than five years	235,659
	460,699

The finance lease receivable represents a single lease arrangement in relation to its partially owned subsidiary, Ranhill Powertron II Sdn. Bhd. ("RanhillPower II")'s 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. The finance lease income arising from this arrangement is RM36,511,000 as disclosed in Note 6.

The detailed breakdown of lease receivable is further disclosed in Note 17.

17. FINANCE LEASE RECEIVABLE

	Group	
	2019	2018
	RM'000	RM'000
At beginning of the financial year	508,356	552,580
Repayments	(84,168)	(84,168)
Finance lease income (Note 6)	36,511	39,944
At end of the year	460,699	508,356

The finance lease receivable is further analysed as follows:

	Group	
	2019	2018
	RM'000	RM'000
Gross amounts receivable	657,447	741,615
Less: Unearned finance interest income	(196,748)	(233,259)
Finance lease receivable	460,699	508,356
Analysed into:		
Current	51,357	47,657
Non-current	409,342	460,699
	460,699	508,356

The terms of the lease agreement is summarised as follows:

	Group	
	2019	2018
	RM'000	RM'000
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	182,018	252,503
Later than 5 years	307,093	320,776
Total minimum lease payments receivable	657,447	741,615
Less: Unearned finance interest income	(196,748)	(233,259)
	460,699	508,356
Present value of payments receivable:		
Not later than 1 year	51,357	47,657
Later than 1 year but not later than 2 years	55,344	51,357
Later than 2 years but not later than 5 years	118,339	150,436
Later than 5 years	235,659	258,906
Present value of minimum lease payments receivable	460,699	508,356

18. DEFERRED TAXATION

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

	Deferred tax assets						
	Unutilised reinvestment allowance RM'000	Unutilised investment allowance RM'000	Unabsorbed capital allowance RM'000	Unutilised tax losses RM'000	Provisions RM'000	Others RM'000	Total RM'000
Group							
At 1 January 2018	13,888	143,914	100,279	9,429	36,157	23,914	327,581
Effect of adoption of MFRS 9	-	-	-	-	-	770	770
At 1 January 2018 (restated)	13,888	143,914	100,279	9,429	36,157	24,684	328,351
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	7,857	35,428	10,343	267,800
At 1 January 2019	1,121	125,784	87,267	7,857	35,428	10,343	267,800
Recognised in profit and loss	(1,121)	(64,341)	(12,467)	946	611	(620)	(76,992)
Exchange differences	-	-	-	324	-	-	324
At 31 December 2019	-	61,443	74,800	9,127	36,039	9,723	191,132

18. 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 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)
At 1 January 2019	(97,871)	(69)	(122,006)	(787)	(220,733)
Recognised in profit and loss	2,034	(247)	11,438	114	13,339
Exchange differences	(256)	-	-	-	(256)
At 31 December 2019	(96,093)	(316)	(110,568)	(673)	(207,650)

18. DEFERRED TAXATION (CONTD.)

Presented after appropriate offsetting as follows:

	Group 2019 RM'000	Group 2018 RM'000
Deferred tax assets	64,780	130,366
Deferred tax liabilities	(81,298)	(83,299)
	(16,518)	47,067

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.

On 26 December 2018, the new Finance Act 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 2025, requiring a potential reversal of deferred tax asset to the income statement of RM42,727,000 (2018: 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 on the basis that any unutilised investment allowance will be available up to year 2032.

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

	Group 2019 RM'000	Group 2018 RM'000
Unutilised investment allowances	254,825	192,654
Unutilised business losses	11,203	10,624
Others	24,110	22,676
	290,138	225,954

19. INVESTMENT IN A SUBSIDIARY

	Company 2019 RM'000	Company 2018 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) Details of the Group's subsidiaries are as follows:

Name	Country of incorporation	Principal activities	% of ownership interest held by the group ^ 2019	% of ownership interest held by the group ^ 2018	% of ownership interest held by non-controlling interests ^ 2019	% of ownership interest held by non-controlling interests ^ 2018
Held by the Company:						
Ranhill Capital Sdn. Bhd. [1]	Malaysia	Investment holding and provision of management services to its subsidiaries.	100	100	-	-
Held by Ranhill Capital Sdn. Bhd.						
Ranhill Powertron Sdn. Bhd. [1]	Malaysia	Independent power producer.	60	60	40	40
Ranhill Powertron II Sdn. Bhd. [1]	Malaysia	Independent power producer.	80	80	20	20
Ranhill Power O&M Sdn. Bhd. [1]	Malaysia	Operation and maintenance services for power plants station.	60	60	40	40
Ranhill Power II O&M Sdn. Bhd. [1]	Malaysia	Provision of operation and maintenance services for power plants station.	80	80	20	20

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the group ^ 2019	% of ownership interest held by the group ^ 2018	% of ownership interest held by non-controlling interests ^ 2019	% of ownership interest held by non-controlling interests ^ 2018
Held by Ranhill Capital Sdn. Bhd. (contd.)						
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]	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	-	-

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the group ^ 2019	% of ownership interest held by the group ^ 2018	% of ownership interest held by non-controlling interests ^ 2019	% of ownership interest held by non-controlling interests ^ 2018
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. [1,3]	Malaysia	Investment holding (dormant).	100	100	-	-
Ranhill Polo Sdn. Bhd. [1,3]	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	-	-
Ranhill International Pte. Ltd. [1]	Singapore	Investment holding (dormant).	100	100	-	-

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

(a) 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 ^	
			2019	2018	2019	2018
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.	49	100	51	-
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	-	-

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

(a) 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 ^	
			2019	2018	2019	2018
Held by Ranhill Water Technologies Sdn. Bhd.						
KWI (Guangzhou) Environmental Engineering Technology Co. Ltd. [2]	China	Ceased operations.	51	51	49	49
Top Zone Solutions Sdn. Bhd. [1]	Malaysia	To undertake construction, structural, civil, engineering, electrical and mechanical work for potable water and wastewater treatment plant.	100	100	-	-

^ Equals to the proportion of voting rights held
1 Audited by Ernst & Young PLT, Malaysia
2 Audited by firm other than Ernst & Young
3 Application to strike off Company has been lodged to the Registrar of Companies at Companies Commission of Malaysia ("CCM") on 9 January 2020

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19. INVESTMENT IN A SUBSIDIARY (CONTD.)

(b) 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 2019				
Non-current assets	392,597	421,345	757,847	1,571,789
Current assets	124,411	219,806	358,995	703,212
Total assets	517,008	641,151	1,116,842	2,275,001
Current liabilities	28,686	75,742	624,173	728,601
Non-current liabilities	107,659	444,878	326,439	878,976
Total liabilities	136,345	520,620	950,612	1,607,577
Equity attributable to owners of the Company	232,069	96,292	127,168	455,529
Non-controlling interest	148,594	24,239	39,062	211,895
Net assets	380,663	120,531	166,230	667,424
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

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

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

	RanhillPower I RM'000	RanhillPower II RM'000	RanhillSAJ RM'000	Total RM'000
For the year ended 31 December 2019				
Revenue	214,342	116,565	1,225,794	1,556,701
Profit/(loss) for the year	34,185	(20,377)	186,994	200,802
Profit/(loss) attributable to owners of the Company	20,511	(16,302)	149,595	153,804
Profit/(loss) attributable to the non-controlling interests	13,674	(4,075)	37,399	46,998
Profit/(loss) for the year representing total comprehensive income	34,185	(20,377)	186,994	200,802
Total comprehensive income/(loss) attributable to owners of the Company	20,511	(16,302)	149,595	153,804
Total comprehensive income/(loss) attributable to non-controlling interests	13,674	(4,075)	37,399	46,998
	34,185	(20,377)	186,994	200,802
For the year ended 31 December 2018				
Revenue	202,992	106,371	1,191,616	1,500,979
Profit/(loss) for the year	40,852	(429)	116,648	157,071
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

19. INVESTMENT IN A SUBSIDIARY (CONTD.)

(b) (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 2019				
Net cash generated from operating activities	89,619	98,307	509,174	697,100
Net cash used in investing activities	(15,836)	(16,377)	(45,036)	(77,249)
Net cash used in financing activities	(63,760)	(81,930)	(512,163)	(657,853)
Net increase/(decrease) in cash and cash equivalents	10,023	-	(48,025)	(38,002)
Cash and cash equivalents at beginning of the year	14,408	-	158,486	172,894
Cash and cash equivalents at end of the year	24,431	-	110,461	134,892
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	(9,195)	83,628	(99,920)	(25,487)
Net cash used in financing activities	(58,682)	(84,507)	(401,962)	(545,151)
Net (decrease)/increase in cash and cash equivalents	(10,243)	(13,807)	82,605	58,555
Cash and cash equivalents at beginning of the year	24,651	13,807	75,881	114,339
Cash and cash equivalents at end of the year	14,408	-	158,486	172,894

20. 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 2019	2018	Nature of relationship	Accounting model applied
Avantang Power Sdn. Bhd.	Malaysia	-	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 in prior year as it was not material to the Group.

APSB had been dissolved on 22 July 2019 and the Companies Commission of Malaysia ("CCM") had struck off the name of APSB from its Registrar of Companies via Gazette No. 12595. As a result, the cost of investment amounted to RM5,000 had been written off as disclosed in Note 9.

21. INVESTMENT IN ASSOCIATES

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares, at cost	96,720	96,720
Add: Share of post acquisition reserves	15,681	5,775
	112,401	102,495
Less: Impairment (Note 9)	(18,451)	(18,451)
Exchange differences	(7,546)	(5,235)
Amount due from an associate	74,520	76,414
	160,924	155,223

21. INVESTMENT IN ASSOCIATES (CONTD.)

The Group had fully impaired its investment in Tawau Green Energy Sdn. Bhd. ("TGE") in prior year 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.

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

Name	Country of incorporation	Principal activities	% of ownership interest held by the group 2019	2018	Accounting model applied
Held by Ranhill Capital Sdn. Bhd.					
Tawau Green Energy Sdn. Bhd. [1]	Malaysia	To develop, construct and maintain a geothermal power plant.	26.7	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

21. 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 2019	% of ownership interest held by the group 2018	Accounting model applied
Held by Ranhill Water (Hong Kong) Ltd. (contd.)					
Ranhill (Hefei) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Hefei Chemical Industrial Park.	40	40	Equity method
Ranhill (Xinxiang) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Xinxiang Industrial Park.	40	40	Equity method
Ranhill (Yingkou) Wastewater Treatment Co. Ltd. [1]	China	To undertake wastewater treatment services for Yingkou Economic & Technology Development Zone.	40	40	Equity method
Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd. [1]	China	To undertake design, construction and operation for wastewater treatment and environmental protection facilities in Xiatang Heavy Industrial Park.	40	40	Equity method
Ranhill (Fuzhou) Water Co. Ltd. [1]	China	To undertake water, reclaimed water and wastewater projects in Yihuang Industrial Park.	40	40	Equity method
Ranhill (Wanzai) Water Co. Ltd. [1]	China	To undertake water, reclaimed water and wastewater projects in Wanzai Industrial Park, Yichun City.	40	40	Equity method
Ranhill (Chongren) Water Co. Ltd. [1]	China	To undertake wasterwater treatments services for Chongren Industrial Park.	40	40	Equity method

21. 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 2019	2018	Accounting model applied
Held by Ranhill Water (Hong Kong) Ltd. (contd.)					
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

[1] Audited by firm other than Ernst & Young

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

(i) Summarised statement of financial position

	2019 RM'000	2018 RM'000
Non-current assets	563,931	522,991
Cash and bank balances	55,152	17,228
Other current assets	81,205	87,712
Total current assets	136,357	104,940
Total assets	700,288	627,931
Non-current liabilities	(211,956)	(157,983)
Current liabilities	(272,312)	(273,243)
Total liabilities	(484,268)	(431,226)
Net assets	216,010	196,705

21. INVESTMENT IN ASSOCIATES (CONTD.)

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

(i) Summarised statement of financial position (contd.)

Summarised statement of comprehensive income

	2019 RM'000	2018 RM'000
Revenue	137,406	121,071
Profit before tax	29,734	24,542
Tax expense	(4,970)	(6,184)
Profit after tax, representing total comprehensive profit for the year	24,764	18,358

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

	2019 RM'000	2018 RM'000
Net assets	197,023	185,427
Profit for the financial year	24,764	18,358
Exchange differences	(5,777)	(6,762)
Net assets as at 31 December	216,010	197,023
Interest in an associate	40%	40%
	86,404	78,809
Add: Amount due from an associate	74,520	76,414
Carrying value of Group's interest in an associate	160,924	155,223

22. OPERATING FINANCIAL ASSETS

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

	Group	
	2019 RM'000	2018 RM'000
Current	9,496	6,585
Non-current	89,354	43,756
	98,850	50,341

22. OPERATING FINANCIAL ASSETS (CONTD.)

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

	Group	
	2019	2018
	RM'000	RM'000
At beginning of year	50,341	67,809
Additions	4,665	25,360
Repayments	(8,908)	(7,222)
Disposal	(617)	-
Transfer from/(to) contract assets	46,751	(37,629)
Exchange differences	6,618	2,023
At end of year	98,850	50,341

Operating financial assets amounting to RM61,140,000 (2018: RM45,072,000) 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.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Third parties (Note a)	178,561	217,406	-	-
Retention sum on contracts	-	1,229	-	-
	178,561	218,635	-	-
Less: Allowance for expected credit losses (Note a)	(37,833)	(34,933)	-	-
Trade receivables, net	140,728	183,702	-	-
Non-trade				
Other receivables and deposits	17,665	32,687	-	-
Receivables from PAAB (Note b)	34,343	25,659	-	-
Receivable from the State Government of Johor (Note c)	27,284	9,542	-	-
Amount due from subsidiaries (Note d)	-	-	159,747	115,534
Amounts due from associates (Note d)	343	1,262	-	-
Amounts due from related parties (Note d)	303	-	-	-
	79,938	69,150	159,747	115,534
Less: Allowance for expected credit losses (Note e)	(9,276)	(3,500)	-	-
Non-trade receivables, net	70,662	65,650	159,747	115,534
Total current receivables	211,390	249,352	159,747	115,534
Non-current				
Non-trade				
Refundable deposits (Note 35)	70,408	70,408	-	-
Receivables from PAAB (Note f)	90,185	-	-	-
	160,593	70,408	-	-
Total trade and other receivables	371,983	319,760	159,747	115,534
Add: Cash and bank balances (Note 28)	453,892	355,876	973	379
Finance lease receivables (Note 17)	460,699	508,356	-	-
Operating financial assets (Note 22)	98,850	50,341	-	-
Total debt instruments at amortised cost	1,385,424	1,234,333	160,720	115,913

23. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2018: 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	
	2019	2018
	RM'000	RM'000
Neither past due nor impaired	125,138	148,723
1 to 30 days past due not impaired	4,239	23,075
31 to 60 days past due not impaired	2,554	2,838
61 to 90 days past due not impaired	1,865	2,004
91 to 120 days past due not impaired	2,060	1,455
More than 121 days past due not impaired	4,872	5,607
	15,590	34,979
Impaired	37,833	34,933
	178,561	218,635

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 RM15,590,000 as at 31 December 2019 (2018:RM34,979,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

23. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade receivables (contd.)

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	
	2019	2018
	RM'000	RM'000
Trade receivables		
- nominal amounts	178,561	218,635
Less: Allowance for expected credit losses	(37,833)	(34,933)
	140,728	183,702

Movement in allowance accounts:

	Group	
	2019	2018
	RM'000	RM'000
At beginning of financial year	34,933	35,268
Charge for the year (Note 9)	2,900	3,206
Reversal of allowance for expected credit losses (Note 7)	-	(3,541)
At end of financial year	37,833	34,933

(b) Receivable from PAAB (current)

This amount represents capital expenditure on water related assets (completed and in-progress).

Included in receivable from PAAB is an amount of RM20,352,000 (2018: RM nil) being the amount arose from waiver of lease rental paid by the Company in previous years and will be recovered via a reduction of future lease payment within the next 12 months.

The remaining balances with PAAB are expected to be settled within the next 12 months.

(c) Receivable from Johor State Government

This amount represents expenses paid on behalf which are unsecured, interest-free and repayable on demand.

(d) Amounts due from subsidiaries, associates and related parties

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

23. TRADE AND OTHER RECEIVABLES (CONTD.)

(e) Other receivables that are impaired

Movement in allowance accounts:

	Group	
	2019	2018
	RM'000	RM'000
At beginning of the financial year	3,500	-
Charge for the year (Note 9)	5,776	3,500
At end of the financial year	9,276	3,500

(f) Receivable from PAAB (non-current)

This amount arose from waiver of lease rental paid by the Company in previous years and will be recovered via a reduction of future lease payment over 5 years.

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	371,875	315,318	159,747	115,534
Chinese Renminbi	-	7	-	-
Thai Baht	-	3,955	-	-
US Dollar	-	450	-	-
Singapore Dollar	108	30	-	-
	371,983	319,760	159,747	115,534

24. CONTRACT BALANCES

	Group 2019 RM'000	Group 2018 RM'000
Non-current asset		
Contract assets	135	35,377
Current asset		
Contract assets	24,302	32,823
Current liability		
Contract liabilities	57	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.

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.

25. INVENTORIES

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
Consumables	67,739	66,591
Distillates	15,350	16,373
Tools and equipment	13	1
	83,102	82,965
At net realisable value:		
Water pipes	3,689	3,771
Water meters	2,279	2,645
	5,968	6,416
	89,070	89,381

During the year, the amount of inventories being written off is RM173,000 (2018: RM30,000).

26. OTHER NON-CURRENT AND CURRENT ASSETS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Prepayments	12,026	13,975	-	-
Current				
Prepayments	11,064	33,990	10	-

27. OTHER FINANCIAL ASSETS

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets at fair value through profit or loss				
Short term investments:				
- Islamic managed funds*	74,323	74,323	67,082	67,082
- Deposits with other financial institution	559	559	5,059	5,059
- Listed equity investment	753	753	753	753
	75,635	75,635	72,894	72,894

* 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	99,309	149,917	973	379
Short term deposits with:				
- Licensed banks	354,583	205,959	-	-
Total deposits, cash and bank balances	453,892	355,876	973	379
Bank overdrafts (Note 31)	-	(525)	-	-
Restricted deposits, cash and bank balances	(190,263)	(77,080)	-	-
Deposits with licensed banks with maturity more than three months	(95,259)	(77,454)	-	-
Deposits pledged as securities to licensed banks	(1,068)	-	-	-
Cash and cash equivalents	167,302	200,817	973	379

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Short term deposits with:				
- Licensed banks	3.61	3.39	-	-

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 RM190,263,000 (2018: RM77,080,000), 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	448,968	352,884	973	379
Chinese Renminbi	132	161	-	-
Thai Baht	4,463	2,229	-	-
Singapore Dollar	239	598	-	-
US Dollar	90	4	-	-
	453,892	355,876	973	379

29. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2019	2018
	RM'000	RM'000
Representing:		
Current	11,162	15,829
Non-current	72,370	72,561
	83,532	88,390

A subsidiary of the Group, Ranhill SAJ Sdn. Bhd., operates a defined benefit retirement scheme for its eligible employees, which is unfunded. The estimated obligations under the retirement benefit scheme are based on an actuarial valuation report prepared by a qualified independent actuary on 26 May 2017 covering the period from 31 December 2017 to 31 December 2019.

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	
	2019	2018
	RM'000	RM'000
At beginning of the financial year	88,390	88,125
Charge to profit or loss (Note 10)	8,228	9,166
Benefits paid	(13,150)	(8,901)
Exchange differences	64	-
At end of the financial year	83,532	88,390

29. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

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

	Group 2019 RM'000	Group 2018 RM'000
Charge to profit or loss		
Current service costs	4,114	4,822
Interest costs	4,114	4,344
Total included in staff costs	8,228	9,166

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 2019 %	Group 2018 %
Discount rate	5.0	5.0
Expected rate of salary increases	6.0	6.0

30. HIRE PURCHASE 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:

	As reported under MFRS 117	
	Group 2018 RM'000	Company 2018 RM'000
Minimum payments:		
- Within one year	1,132	125
- Between one to two years	869	125
- Between two to five years	1,162	62
- More than five years	20	-
Total minimum payments	3,183	312
Less: Amounts representing finance charges	(234)	(20)
Present value of minimum payments	2,949	292
Present value of payments:		
- Within one year	1,014	113
- Between one to two years	797	118
- Between two to five years	1,118	61
- More than five years	20	-
Present value of minimum payments	2,949	292
Less: Amount due within 12 months	(1,014)	(113)
Amount due after 12 months	1,935	179

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

Upon adoption of MFRS 16, the maturity analysis and present value of finance lease commitment is included within lease liabilities in Note 31 and Note 44 respectively.

31. LOANS AND BORROWINGS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Sukuk Murabahah	35,706	35,205	-	-
Musharakah Medium Term Notes ("mMTN")	50,106	49,764	-	-
Term loan 3	-	616	-	-
Term loan 4	1,513	1,310	-	-
Term loan 5	1,574	1,508	-	-
Term loan 6	245	854	-	-
Term loan 7	1,733	126	-	-
Bank overdrafts	-	53	-	-
	90,877	89,436	-	-
Unsecured:				
Bank overdrafts	-	472	-	-
Lease liabilities (Note 16)	2,199	-	118	-
	2,199	472	118	-
Total current interest-bearing loans and borrowings	93,076	89,908	118	-
Non-current				
Secured:				
Sukuk Murabahah	595,757	590,781	-	-
Musharakah Medium Term Notes ("mMTN")	444,817	494,923	-	-
Term loan 4	1,063	2,448	-	-
Term loan 5	11,258	1,790	-	-
Term loan 6	5,429	10,840	-	-
Term loan 7	189	2,570	-	-
	1,058,513	1,103,352	-	-
Unsecured:				
Convertible unsecured loan stocks ("CULS")	10,213	10,049	-	-
Lease liabilities (Note 16)	4,316	-	61	-
	14,529	10,049	61	-
Total non-current interest-bearing loans and borrowings	1,073,042	1,113,401	61	-
Total interest-bearing loans and borrowings	1,166,118	1,203,309	179	-

31. LOANS AND BORROWINGS (CONTD.)

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

	Repayment Maturity	Group 2019 %	Group 2018 %
Secured			
Sukuk Murabahah	2030	6.76	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	MLR - 1
Term loan 7	2024	MLR - 1	MLR - 1
Unsecured			
Bank overdrafts	On demand	-	8.45
Convertible unsecured loan stock ("CULS")	2022	15.28	15.28

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Ringgit Malaysia	1,143,114	1,181,194	179	-
Thai Baht	23,004	22,115	-	-
	1,166,118	1,203,309	179	-

The maturity profile of loans and borrowings are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Maturity of loans and borrowings:				
- Within one year	93,150	89,908	118	-
- Between one to two years	91,392	129,423	61	-
- Between two to five years	302,181	389,139	-	-
- More than five years	679,395	594,839	-	-
Total loans and borrowings	1,166,118	1,203,309	179	-

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 2019	1,113,455	89,382	1,202,837
Cash flows	(33,605)	(85,725)	(119,330)
Non-cash changes:			
Exchange differences	1,241	1,408	2,649
Other changes	(8,049)	88,011	79,962
At 31 December 2019	1,073,042	93,076	1,166,118
At 1 January 2018	1,040,214	115,428	1,155,642
Cash flows	179,633	(160,382)	19,251
Non-cash changes:			
Exchange differences	185	77	262
Other changes	(106,577)	134,259	27,682
At 31 December 2018	1,113,455	89,382	1,202,837
Company			
At 1 January 2019/31 December 2018	-	-	-
Cash flows	-	(113)	(113)
Non-cash changes:			
Other changes	61	231	292
At 31 December 2019	61	118	179

Included in the other changes are the effects of upon implementation of MFRS 16, 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 used in financing activities.

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

(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.

31. LOANS AND BORROWINGS (CONTD.)

<u>Musharakah Medium Term Notes ("mMTN")</u>

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:

<u>Tranche 1</u>
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.

<u>Tranche 2</u>
RM350,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 12 to 18 years. The Yield-to-Maturity ranges from 5.15% to 5.70% per annum, and is repayable semi-annually.

The mMTN is secured over the followings:

<u>Tranche 1</u>
(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.

31. LOANS AND BORROWINGS (CONTD.)

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

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;

(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 2019 is RM1,063,000 (2018: 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 in prior year bear interest at 8.40% per annum and were 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	
	2019	2018
	RM'000	RM'000
At beginning of financial year	8,093	9,526
Charged to profit or loss	6,787	5,516
Zakat paid	(3,388)	(6,949)
At end of financial year	11,492	8,093

33. TRADE AND OTHER PAYABLES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current				
Trade payables				
Third parties (Note a)	125,481	117,269	-	-
Amount due to Badan Kawalselia Air Johor ("BAKAJ") (Note b)	8,935	5,700	-	-
Amount due to PAAB (Note c)	7,772	24,596	-	-
Amounts due to related parties (Note d)	2,987	2,303	-	-
Retention sum on contracts (Note e)	4,295	-	-	-
	149,470	149,868	-	-
Non-trade payables				
Other payables	103,589	83,061	8,841	307
Dividend payable	33,320	14,250	21,320	-
Retention sum on contracts (Note e)	10,343	9,886	-	-
Amounts due to related parties (Note d)	370	431	-	-
Amounts due to subsidiaries (Note d)	-	-	16,345	16,355
Deposits received (Note f)	3,298	2,779	-	-
	150,920	110,407	46,506	16,662
Total current payables	300,390	260,275	46,506	16,662
Non-Current				
Trade payables				
Retention sum on contracts (Note e)	1,076	1,216	-	-
Total non-current payables	1,076	1,216	-	-
Total trade and other payables	301,466	261,491	46,506	16,662
Add: Finance lease liabilities (Note 30)	-	2,949	-	292
Add: Loans and borrowings (Note 31)	1,166,118	1,203,309	179	-
Add: Service concession obligations (Note 34)	328,970	686,403	-	-
Add: Zakat	11,492	8,093	-	-
Add: Consumer deposits (Note 35)	251,458	244,364	-	-
Total financial liabilities carried at amortised cost	2,059,504	2,406,609	46,685	16,954

33. TRADE AND OTHER PAYABLES (CONTD.)

(a) Trade payables - current

Credit terms of trade payables granted to the Group vary from 30 to 365 days (2018: 30 to 365 days).

(b) Amount due to BAKAJ

Amount due to BAKAJ represents purchase of raw water which is trade in nature, unsecured, interest-free and expected to be paid within one year.

(c) Amount due to PAAB

Amount due to PAAB represents lease rental relating to previous operating periods payable to PAAB. It is trade in nature, unsecured and interest-free. The repayment term is based on the schedule agreed with PAAB.

(d) Amounts due to related parties and subsidiaries

Amounts due to related parties and subsidiaries are unsecured, interest free and repayable on demand.

(e) 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.

(f) Deposits received

The amounts include refundable deposits received from developers on reticulation works, deposits received from contractors for their performance bonds which are refundable upon completion of work, and deposits received from consumers on water meter testing refundable in the event the water meter is faulty. These deposits are unsecured, non-interest bearing and refundable within one year.

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	290,552	256,984	46,506	16,662
Chinese Renminbi	7,275	493	-	-
US Dollar	112	114	-	-
Thai Baht	3,510	3,884	-	-
Others	17	16	-	-
	301,466	261,491	46,506	16,662

34. SERVICE CONCESSION OBLIGATIONS

	Group 2019 RM'000	Group 2018 RM'000
Minimum lease payments:		
- Within one year	333,315	357,626
- Between two to five years	-	361,192
Total minimum lease payments	333,315	718,818
Less: Future finance charges	(4,345)	(32,415)
Present value of minimum lease payments	328,970	686,403
Present value of payments:		
- Within one year	328,970	333,822
- Between two to five years	-	352,581
Present value of minimum lease payments	328,970	686,403
Less: Amount due within 12 months	(328,970)	(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% (2018: 4.46%).

The movement in the service concession obligations is as follows:

	Group 2019 RM'000	Group 2018 RM'000
At beginning of the financial year	686,403	-
Additions	7,654	991,624
Repayment	(350,190)	(343,212)
Interest (Note 8)	22,804	37,991
Waiver of lease rental from PAAB	(37,701)	-
At end of the financial year	328,970	686,403

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 RMRM70,407,920 (2018: RM70,407,920) as disclosed in Note 23.

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	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Group and Company				
Authorised share capital				
At 1 January/31 December (Note a)	-	-	-	-
Issued and fully paid up				
At 1 January (Note a)	888,316	888,316	1,275,319	1,275,319
Issuance of bonus shares (Note b)	177,659	-	-	-
At 31 December	1,065,975	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 of RM387,00,000 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

(b) During the financial year, the Company increased its issued and paid-up share capital from 888,315,767 ordinary shares to 1,065,975,159 by way of the issuance of 177,659,392 bonus issue on the basis of one (1) new ordinary share for every five (5) existing ordinary share held in the Company on 30 April 2019.

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. OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Merger deficit (Note a)	(906,015)	(906,015)	-	-
Currency translation reserve (Note b)	13,007	11,547	-	-
Equity component of convertible unsecured loan stocks ("CULS") (Note c)	1,063	1,063	-	-
Retained earnings (Note d)	198,870	167,455	33,941	18,989
	(693,075	(725,950)	33,941	18,989

(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 2019 under the single tier system.

38. DIVIDENDS

Recognised during the financial year:

			Amount of dividend, net of tax	
	2019	2018	2019	2018
	sen	sen	RM'000	RM'000
Group				
Interim dividend on 888,315,767 ordinary shares	1.00	2.00	8,883	17,766
Final dividend on 888,315,767 ordinary shares	1.00	2.00	8,883	17,766
Interim dividend on 888,315,767 ordinary shares	-	2.00	-	17,766
Interim dividend on 888,315,767 ordinary shares	-	2.00	-	17,766
Interim dividend on 1,065,975,159 ordinary shares	1.00	-	10,660	-
Interim dividend on 1,065,975,159 ordinary shares	2.00	-	21,320	-
Interim dividend on 100,000,000 ordinary shares	60.00	58.75	12,000	11,750
Interim dividend on 100,000,000 ordinary shares	30.00	20.00	6,000	4,000
Interim dividend on 100,000,000 ordinary shares	60.00	41.25	12,000	8,250
Interim dividend on 100,000,000 ordinary shares	-	10.00	-	2,000
Interim dividend on 10,000,000 ordinary shares	70.00	60.00	2,800	2,400
Interim dividend on 10,000,000 ordinary shares	90.00	-	3,600	-
Interim dividend on 500,000 ordinary shares	400.00	400.00	800	800
Interim dividend on 500,000 ordinary shares	400.00	400.00	400	400
			87,346	100,664

38. DIVIDENDS (CONTD.)

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

			Amount of dividend, net of tax	
	2019	2018	2019	2018
	sen	sen	RM'000	RM'000
Company				
Interim dividend on 888,315,767 ordinary shares	1.00	2.00	8,883	17,766
Final dividend on 888,315,767 ordinary shares	1.00	2.00	8,883	17,766
Interim dividend on 888,315,767 ordinary shares	-	2.00	-	17,766
Interim dividend on 888,315,767 ordinary shares	-	2.00	-	17,766
Interim dividend on 1,065,975,159 ordinary shares	1.00	-	10,660	-
Interim dividend on 1,065,975,159 ordinary shares	2.00	-	21,320	-
			49,746	71,064

39. 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 financial year ended 31 December 2019		
	Water	Power	Total
Segments	RM'000	RM'000	RM'000
Group			
Type of goods or services			
Water revenue	1,159,411	-	1,159,411
Sale of electricity	-	234,000	234,000
Contribution by housing developers	54,434	-	54,434
Non-revenue water reduction fees	20,726	-	20,726
Construction contract revenue	36,331	-	36,331
Operation and maintenance revenue	15,434	-	15,434
Special works	11,949	-	11,949
Sale of equipment	220	-	220
Technical and management services	418	-	418
Total revenue from contracts with customers	1,298,923	234,000	1,532,923
Geographical Market			
Malaysia	1,274,609	234,000	1,508,609
Thailand	24,314	-	24,314
Total revenue from contracts with customers	1,298,923	234,000	1,532,923
Timing of revenue recognition			
Goods transferred at a point in time	1,226,432	234,000	1,460,432
Service transferred over time	72,491	-	72,491
Total revenue from contracts with customers	1,298,923	234,000	1,532,923

39. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD.)

Disaggregated revenue information (contd.)

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers: (contd.)

	For the financial year ended 31 December 2018		
	Water	Power	Total
Segments	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

39. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD.)

Disaggregated revenue information (contd.)

Segments	For the financial year ended 31 December 2019 Others RM'000	Total RM'000
Company		
Type of goods or services		
Dividend income, represents total revenue from contracts with customers	86,308	86,308
Geographical Market		
Malaysia, represents total revenue from contracts with customers	86,308	86,308
Timing of revenue recognition		
Goods transferred at a point in time, represents total revenue from contracts with customers	86,308	86,308

Segments	For the financial year ended 31 December 2018 Others RM'000	Total RM'000
Company		
Type of goods or services		
Dividend income, represents total revenue from contracts with customers	61,225	61,225
Geographical Market		
Malaysia, represents total revenue from contracts with customers	61,225	61,225
Timing of revenue recognition		
Goods transferred at a point in time, represents 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 2019 is RM24,286,000 (2018: RM34,526,000) and expected to be completed within 12 months.

40. SIGNIFICANT RELATED PARTIES DISCLOSURES

In addition to related parties disclosures mentioned elsewhere in the financial statements, set out below are other significant related parties transactions.

(a) Transactions with related parties

The related parties and their relationship with the Group are as follows:

Related parties	Relationship
Ranhill Group Sdn. Bhd.	A wholly owned subsidiary of Ranhill Energy and Resources Sdn. Bhd.
Sabah Energy Corporation Sdn. Bhd.	Corporate shareholder of partially owned subsidiaries.
Ranhill (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.
Symphony Share Registrar Sdn. Bhd.	Director's related corporation.
Symphony Corporatehouse Sdn. Bhd.	Director's related corporation.
Ranhill Process System Sdn. Bhd.	Director's related corporation.
Ranhill Berhad	
Ranhill Consulting Sdn. Bhd.	Director's related corporation.
Jenzer Motorsport	Director's related corporation.
Chris Dittman Racing Limited	Director's related corporation.
Peak Performance Management	Director's related corporation.

Tan Sri Hamdan Mohamad, who is a director and a substantial shareholder of Ranhill Holdings Berhad, is also a substantial shareholder and a director of Ranhill Energy and Resources Sdn. Bhd.

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTD.)

(a) Transactions with related parties (contd.)

	Group 2019 RM'000	Group 2018 RM'000
(i) Work performed on infrastructure assets and consultancy fees charged by:		
- Ranhill Consulting Sdn. Bhd.	(12,497)	(3,107)
- Ranhill Process System Sdn. Bhd.	(147)	(15,785)
(ii) IT and management services rendered from:		
- Ranhill Global Systems Sdn. Bhd.	(270)	(1,127)
- Symphony Share Registrar Sdn. Bhd	-	(115)
- Symphony Corporatehouse Sdn. Bhd.	-	(43)
(iii) Borrowings and interest payable to:		
- Sabah Energy Corporation Sdn. Bhd.	(1,450)	(1,450)
(iv) Guarantee fees relinquished/(paid) to:		
- Tan Sri Hamdan Mohamad	6,680	(6,900)
(v) Sponsorship paid to:		
- Chris Dittman Racing Limited	(1,391)	-
- Peak Performance Management	(222)	-
- Jenzer Motorsport	-	(800)
(vi) Secondment of staff to:		
- Ranhill Berhad	(950)	-

40. 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	18,154	12,402	8,071	4,374
Contributions to defined contribution plan	1,250	1,677	217	314
Fees and other emoluments	1,616	1,461	864	864
	21,020	15,540	9,152	5,552

41. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Approved and contracted for	775	390
Approved but not contracted for	3,290	5,700
	4,065	6,090
Analysed as follows:		
Plant and machineries	2,040	5,490
Office equipment	330	150
Furniture and Fittings	420	270
Computer equipment	1,115	80
Replacement parts	160	100
	4,065	6,090

41. COMMITMENTS (CONTD.)

(b) Non-cancellable operating lease commitments

	As reported under MFRS 117 Group 2018 RM'000
Non-cancellable rental commitments	
Future minimum rentals payable:	
- Within one year	834
- Between one and five years	683
	1,517

Upon adoption of MFRS 16, the present value of future minimum lease payments for operating leases have been accounted for as part of lease liabilities on the balance sheet as disclosed in Note 16.

(c) Hire purchase commitments

The Group and the Company have hire purchases for certain items of plant and equipment as disclosed in Note 13 to the financial statements.

Future minimum payments under hire purchase together with the present value of the net minimum 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 17.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments that are measured at fair value

The Group uses the following hierarchy for determining the fair values of all financial instruments carried at fair value:

Level 1
Quoted market prices in an active market.

Level 2
Valuation inputs (other than Level 1 input) that are based on observable market data for the asset or liability, whether directly or indirectly.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

(a) Financial instruments that are measured at fair value (contd.)

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 2019				
Financial assets through profit or loss				
- Islamic Managed Funds	-	74,323	-	74,323
- Deposits with other financial institution	-	559	-	559
- Listed equity investment	753	-	-	753
	753	74,882	-	75,635
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

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

(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 2019			
Non-current			
Financial asset			
Finance lease receivable	17	409,342	396,942
Financial liabilities			
Sukuk Murabahah	31	595,757	532,125
Musharakah Medium Term Notes ("mMTN")	31	444,817	325,481
Group			
31 December 2018			
Non-current			
Financial asset			
Finance lease receivable	17	460,699	442,007
Financial liabilities			
Sukuk Murabahah	31	590,781	403,272
Musharakah Medium Term Notes ("mMTN")	31	494,923	334,822

(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of trade and other receivables, trade and other payables, and cash and bank balances are reasonable approximation of fair values, either due to their short-term nature or repayable on demand term.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The carrying amounts of other non-current term loans are reasonable approximations of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group 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 23.

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 2019		
Malaysia	371,875	99
Singapore Dollar	108	1
	371,983	100

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Credit risk concentration profile (contd.)

(a) Credit risk (contd.)

	Group	
	RM'000	% of total
31 December 2018		
Malaysia	315,318	99
China	7	<1
Thailand	3,955	1
Cayman Island	450	<1
Singapore Dollar	30	<1
	319,760	100

At the reporting date, approximately:

- 84.5% (2018: 60.6%) of the Group's trade receivables were due from water revenue customers.
- 15.5% (2018: 39.4%) of the Group's trade receivables were due from electricity revenue customers.
- 0.1% (2018: 0.4%) 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 23. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on the contractual undiscounted repayment obligations.

	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2019				
Group				
Trade and other payables	300,390	1,076	-	-
Zakat	11,492	-	-	-
Service concession obligations	333,315	-	-	-
Consumer deposits	-	-	251,458	-
Loans and borrowings	97,506	95,895	327,274	678,396
Total undiscounted financial liabilities	742,703	96,971	578,732	678,396
Company				
Trade and other payables, representing total undiscounted financial liabilities	46,506	-	-	-

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

	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	-
Zakat	8,093	-	-	-
Service concession obligations	357,626	361,192	-	-
Consumer deposits	-	-	244,364	-
Hire purchase payables	1,132	869	1,162	20
Loans and borrowings	54,414	94,947	316,749	774,952
Total undiscounted financial liabilities	664,716	474,197	563,126	774,972
Company				
Trade and other payables, representing total undiscounted financial liabilities	16,662	-	-	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate instruments with regards to these loans and borrowings.

The Group has no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM267,000 (2018: RM266,000) lower/higher, arising mainly as a result of lower/higher 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollars ("USD").

Approximately 1% (2018: 2%) of the Group's sales are denominated in foreign currencies whilst almost 1% (2018: 2%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payable balances at the reporting date have 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.

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	
		2019 RM'000 Profit net of tax	2018 RM'000 Profit net of tax
USD/RM	- strengthened 3%	(449)	(13)
	- weakened 3%	449	13
RMB/RM	- strengthened 3%	(321)	(213)
	- weakened 3%	321	213
THB/RM	- strengthened 3%	(42)	(358)
	- weakened 3%	42	358
SGD/RM	- strengthened 3%	(18)	(2)
	- weakened 3%	18	2

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value. At the same time, the Group continues to ensure the various requirements and covenants arising from the borrowings as disclosed in Note 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 2019 and 2018.

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	
	2019	2018
	RM'000	RM'000
Interest-bearing loans and borrowings other than convertible preference shares (Note 31)	103,289	99,957
Trade and other payables (Note 33)	301,446	261,491
Hire purchase payables (Note 30)	-	2,949
Consumer deposits (Note 35)	251,458	244,364
Retirement benefit obligations	83,532	88,390
Net debt	739,745	697,151
Share capital (Note 36)	1,275,319	1,275,319
Other reserves (Note 37)	(693,075)	(725,950)
Net equity	582,244	549,369
Gearing ratio	1.27	1.27

45. EARNINGS PER SHARE

Pursuant to the requirements of MFRS 133, Earnings per share, the weighted average number of ordinary shares used in the calculation of basic and diluted EPS for the financial year ended 31 December 2018 have been retrospectively adjusted to reflect the bonus issue.

45. EARNINGS PER SHARE (CONTD.)

(a) Basic earnings per ordinary 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.

	Group	
	2019	2018
Net profit attributable to ordinary shares (RM'000)	81,161	42,308
Weighted average number of ordinary shares in issue ('000)	1,065,975	1,065,975
Basic earnings per ordinary share (cents)	7.6	4.0

46. SIGNIFICANT EVENTS

During the financial year, the Company had completed issuance of 177,659,392 new bonus shares on the basis of five (5) bonus shares for every one (1) existing ordinary share held in the Company on 30 April 2019 and were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on Thursday, 2 May 2019.

47. SUBSEQUENT EVENTS

(a) The Company had established a Dividend Reinvestment Plan (""DRP"") which will provide the shareholders with an option to elect to reinvest their cash dividend declared by the Company which includes any interim, final, special or any other cash dividend in the Company's shares.

The second interim tax exempt (single-tier) dividend declared on 7 November 2019 is subjected to DRP, of which the election period will close on 17 January 2020.

On 30 January 2020, the Company had succesfully issued and allotted 6,961,407 new Company shares pursuant to shareholders opting for shares under the Dividend Reinvestment Plan ("DRP").

(b) On 3 February 2020, Company has proposed share buy-back authority of up to ten percent (10%) of the total number of its issued and paid up share capital.

47. SUBSEQUENT EVENTS (COTND.)

(c) The Company had completed the purchase of its issued ordinary shares from the open market on the respective dates as below and the shares purchased are held as treasury shares in accordance with Section 127(16) of the Companies Act 2016:

On:	Number of shares '000
3 March 2020	200
4 March 2020	400
5 March 2020	500
6 March 2020	100
	1,200

(d) On 28 February 2020, the Company had proposed to change its name from "Ranhill Holdings Berhad" to "Ranhill Utilities Berhad". The name "Ranhill Utilities Berhad" had been approved and reserved by the Companies Commission of Malaysia for the Company. The proposed change of name is subject to the shareholders' approval at the forthcoming Sixth Annual General Meeting of the Company.

48. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has reportable segment as follows:

(i) The environment sector provides water supply services, operate water and wastewater treatment plants and provide specialised services in the management and optimisation of water utility assets. In this sector, the Group has been granted exclusive license (on a 3-year term, renewable for successive 3-year terms on a rollover basis) by the Minister of Energy, Green Technology and Water, Malaysia to provide source-to-tap water supply services to end customers in the entire state of Johor, Malaysia. In addition, the Group also has various water and 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.

48. SEGMENTAL INFORMATION (CONTD.)

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 2019					
Revenue:					
Sales to external customers	1,298,923	330,908	242,188		1,872,019
Inter-segment elimination	-	-	(242,188)		(242,188)
	1,298,923	330,908	-		1,629,831
31 December 2019					
Results:					
Gross profit	489,244	72,616	-		561,860
Interest income	11,209	39,822	3,440		54,471
Depreciation	35,064	18,061	1,800		54,925
Amortisation	324,756	-	300		325,056
Share of results of an associate	9,906	-	-		9,906
Other non-cash items	20,836	(36,490)	5,782	A	(9,872)
Segment profit/(loss)	189,976	19,290	(78,410)		130,856
Assets:					
Additions to non-current assets	68,424	835	11,637	B	80,896
Segment assets	1,418,090	1,164,190	458,044		3,040,324
Segment liabilities	943,934	645,012	651,270		2,240,216

48. SEGMENTAL INFORMATION (CONTD.)

	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
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

48. SEGMENTAL INFORMATION (CONTD.)

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

	Note	2019 RM'000	2018 RM'000
Finance lease income	6	(36,511)	(39,944)
Finance income from operating financial assets	6	(4,666)	(3,888)
Reversal of expected credit losses on trade receivables	7	-	(3,541)
Unwinding of interest of service concession obligations	8	22,804	40,366
Accretion of interest on lease liabilities	16	176	-
Allowance for expected credit loss on:	9		
- Trade receivables		2,900	3,206
- Other receivables		5,776	3,500
Reversal for liquidated ascertained damages	9	(351)	(759)
Impairment of investment in an associate	9	-	18,451
		(9,872)	17,391

B Additions to material non-current assets consist of:

	Note	2019 RM'000	2018 RM'000
Property, plant and equipment	13	64,373	36,375
Right-of-use assets	16	3,612	-
Service concession assets	14	7,654	991,625
Intangibles - software	15	5,257	1,521
		80,896	1,029,521

Property Owned By Our Group

as at 31 December 2019

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 2019 (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	10,729

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 11 April 2019.

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' Mandate is 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 2019 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' Mandate have been obtained together with a breakdown of the aggregate value of the RRPTs which had been conducted pursuant to the Shareholders' Mandate and had met 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
Ranhill SAJ	Secretarial and management services by RCSB to Ranhill SAJ.		10,750

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	16,559

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	15,630

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)
Ranhill SAJ	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by Ranhill SAJ to RWSSB.	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	67,643

Transactions entered/ to be entered between Ranhill SAJ 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, and installation & commissioning for current projects & projects to be awarded by Ranhill SAJ to RWTSB Group.	TSHM CHEVAL LOSB HF HI PSKJ PDT SGJ	671
RGS Group	Provision of information and technology and communication related services including IT infrastructure by RGS Group to Ranhill SAJ.		270
RC	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by Ranhill SAJ to RC.	DMS TSHM	11,689
RPS	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by Ranhill SAJ to RPS.	TSHM HF HI	147

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 RWTSB Group to RPS.	TSHM HF HI	19,320
RC	Provision of work relating to design, construction, supply, delivery, installation & commissioning for current projects & projects to be awarded by RWTSB Group to RC.	TSHM DMS	808

Disclosure of Recurrent Related Party Transactions

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.
"DMS"	:	Datuk Mustaza Salim
"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 (Registration No. 199501022476) (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 (Registration No. 199401041837) (327525-V), a company incorporated in Malaysia
"PSKJ"	:	Perbadanan Setiausaha Kerajaan Negeri Johor [The State Secretary Johore Incorporated] (Enactment No 2 of 1953)
"Ranhill" or "The Company"	:	Ranhill Holdings Berhad (Registration No. 201401014973) (1091059-K) a company incorporated in Malaysia
"RC"	:	Ranhill Consulting Sdn Bhd (Registration No. 199601022517) (394869-A), a company incorporated in Malaysia
"RCSB"	:	Ranhill Capital Sdn Bhd (Registration No. 201401034295) (1110393-P), a company incorporated in Malaysia
"Ranhill Group" or "the Group"	:	Collectively, Ranhill and its subsidiaries, jointly controlled entities associates and companies
"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 (Registration No. 200601022600) (742354-X) [Formerly known as Ranhill E&C Sdn Bhd] a company incorporated in Malaysia
"RanhillPower I"	:	Ranhill Powertron Sdn Bhd (Registration No. 199501001148) (330342-K), a company incorporated in Malaysia
"RanhillPower II"	:	Ranhill Powertron II Sdn Bhd (Registration No. 199501025099) (354304-U), a company incorporated in Malaysia

"RPOMI"	:	Ranhill Power O&M Sdn Bhd (Registration No. 199701002432) (417928-T), a company incorporated in Malaysia
"RPOMII"	:	Ranhill Power II O&M Sdn Bhd (Registration No. 199501025101) (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 (Registration No. 200501004811) (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 (Registration No. 199401017329) (303007-T), a company incorporated in Malaysia
"RWTSB Group"	:	RWTSB and its subsidiaries collectively
"Ranhill SAJ"	:	Ranhill SAJ Sdn Bhd (Registration No. 199901001818) (476718-H) [Formerly known as SAJ Ranhill Sdn Bhd], a company incorporated in Malaysia
"SECSB"	:	Sabah Energy Corporation Sdn Bhd (Registration No. 199601009602) (381950-H), a company incorporated in Malaysia
"SGJ"	:	State Government of Johor
"Shareholders"	:	Shareholders of Ranhill
"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 14 February 2020

Total No. of issued shares	:	1,072,936,566 ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 14 FEBRUARY 2020

Shareholding	No. of Shareholders	%	No. of Shares	%
Less than 100	5,725	41.49	156,067	0.01
100 to 1,000	3,604	26.12	1,260,156	0.12
1,001 to 10,000	3,333	24.16	11,257,329	1.05
10,001 to 100,000	939	6.81	25,109,802	2.34
100,001 to less than 5% of issued shares	192	1.39	474,861,204	44.26
5% and above of issued shares	5	0.04	560,292,008	55.22
Total	**13,798**	**100.00**	**1,072,936,566**	**100.00**

DIRECTORS' SHAREHOLDINGS AS AT 14 FEBRUARY 2020

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1.	Tan Sri Azman Yahya	2,000,000	0.19	3,000,000#	0.28
2.	Tan Sri Hamdan Mohamad	127,663,246	11.90	248,666,687*	23.17
3.	Dato Sri Lim Haw Kuang	-	-	-	-
4.	Datuk Abdullah Bin Karim	-	-	-	-
5.	Lim Hun Soon @ David Lim	-	-	-	-
6.	Abu Talib Bin Abdul Rahman	32,400	0.00	-	-
7.	Loong Mei Yin	-	-	-	-
8.	Leow Peen Fong	-	-	-	-

Deemed interested by virtue of his interest in Azman & Sons 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. and Lambang Optima Sdn Bhd.

SUBSTANTIAL SHAREHOLDERS AS AT 14 FEBRUARY 2020

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Cheval Infrastructure Fund LP (acting via its general partner, TAEL Management Co. (Cayman) Ltd)	190,874,532	17.79	-	-
Lambang Optima Sdn Bhd	124,662,718	11.62	-	-
Hamdan (L) Foundation	109,339,749	10.19	(1)139,326,938	(1)12.99
Tan Sri Hamdan Mohamad	127,663,246	11.89	(2)248,666,687	(2)23.18
Permodalan Darul Ta'zim Sdn Bhd	112,920,000	10.52		
Perbadanan Setiausaha Kerajaan Johor (The State Secretary, Johore (Incorporated))	-	-	(3)112,920,000	(3)10.52
State Government of Johor	-	-	(4)112,920,000	(4)10.52
Lembaga Tabung Haji	58,067,300	5.41	-	-

TOTAL ISSUED SHARE CAPITAL : 1,072,936,566 UNITS OF ORDINARY SHARES

Notes:

(1) 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.

(2) 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.

(3) Deemed interested by virtue of its direct interests in Permodalan Darul Ta'zim Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

(4) 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.

Analysis of Shareholdings
as at 14 February 2020

30 LARGEST SHAREHOLDERS AS AT 14 FEBRUARY 2020

No.	Particulars	No of Shares	Percentage %
1.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	190,962,541	17.80%
2	UOBM NOMINEES (TEMPATAN) SDN BHD LAMBANG OPTIMA SDN BHD	124,662,718	11.62%
3	PERMODALAN DARUL TA'ZIM SDN BHD	112,920,000	10.52%
4	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN MOHAMAD (MGN-HAM0007M)	72,807,000	6.79%
5	HAMDAN (L) FOUNDATION	58,939,749	5.49%
6	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR HAMDAN MOHAMAD	53,371,558	4.97%
7	LEMBAGA TABUNG HAJI	53,067,300	4.95%
8	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN (L) FOUNDATION (MGN-HAM0007M)	50,400,000	4.70%
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	37,754,420	3.52%
10	YPJ CORPORATION SDN BHD	24,049,959	2.24%
11	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	20,866,000	1.94%
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	20,611,560	1.92%
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	18,944,700	1.77%

30 LARGEST SHAREHOLDERS AS AT 14 FEBRUARY 2020 (Contd.)

No.	Particulars	No of Shares	Percentage %
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK)	16,838,800	1.57%
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	16,614,220	1.55%
16	MIDF AMANAH INVESTMENT NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMDAN INC. (LABUAN) PTE LTD (MGN-HAM0007M)	14,400,000	1.34%
17	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRINCIPAL DALI OPPORTUNITIES FUND	9,086,880	0.85%
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS)	7,785,280	0.73%
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	7,112,600	0.66%
20	AMANAHRAYA TRUSTEES BERHAD AC PRINCIPAL DALI ASIA PACIFIC EQUITY GROWTH FUND	6,860,000	0.64%
21	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	5,000,000	0.47%
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CPIAM EQ)	4,695,000	0.44%
23	CHE KHALIB BIN MOHAMAD NOH	4,632,000	0.43%
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	3,661,040	0.34%
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG)	3,500,000	0.33%
26	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND	3,338,460	0.31%

Analysis of Shareholdings
as at 14 February 2020

30 LARGEST SHAREHOLDERS AS AT 14 FEBRUARY 2020 (Contd.)

No.	Particulars	No of Shares	Percentage %
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	3,271,680	0.30%
28	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIAS BAER & CO. LTD (SINGAPORE BCH)	3,179,835	0.30%
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN TAKAFUL BERHAD (MEKAR)	3,014,460	0.28%
30	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB TRUSTEE BERHAD (TR1032)	3,000,000	0.28%

Notice of Annual General Meeting

Ranhill

NOTICE IS HEREBY GIVEN that the **Sixth (6th) Annual General Meeting ("AGM")** of Ranhill Holdings Berhad ("Ranhill" or "the Company") will be held on **Tuesday, 21 April 2020** at **10.00 a.m.** at **Diamond 2, 10th Floor, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim** for the following purposes:-

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 2019.	(Ordinary Resolution 1)
3.	To re-elect the following Directors who retire in accordance with Article 111 of the Company's Constitution, and being eligible, have offered themselves for re-election:	
	(a) Tan Sri Azman Yahya	(Ordinary Resolution 2)
	(b) Datuk Abdullah Karim	(Ordinary Resolution 3)
	(c) Mr Lim Hun Soon @ David Lim	(Ordinary Resolution 4)
4.	To approve the increase and payment of Directors' fees retrospective from 1 January 2020 and benefits until the conclusion of the next Annual General Meeting of the Company.	(Ordinary Resolution 5)
5.	To re-appoint Messrs Ernst & Young PLT 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 ("**Act**"), to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed ten (10) percent of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of all relevant regulatory bodies being obtained (if required)."

7. **Proposed Renewal of the Authority to Allot New Ordinary Shares in the Company (New Ranhill Shares), for the purpose of Dividend Reinvestment Plan ("DRP") that provides the Shareholders of the Company the option to elect to reinvest their cash dividend ("Proposed Renewal of DRP")** (Ordinary Resolution 8)

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 11 April 2019 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of New Ranhill Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting of the Company upon terms and conditions and to such persons as the Directors of the Company may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said New Ranhill Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of New Ranhill Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of New Ranhill Shares.

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

8. **Proposed Renewal of Share Buy-Back Authority** (Ordinary Resolution 9)

"**THAT** subject to the rules, regulations, orders and guidelines made pursuant to the Companies Act 2016 ("**Act**"), provisions of the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of any relevant regulatory authorities and parties, the Company be and is hereby authorised to purchase on the market and/or hold such number of the Company's issued ordinary shares ("**Ranhill Shares**") through Bursa Securities ("**Proposed Share Buy-Back**") as may be determined by the Directors of the Company ("**Directors**") from time to time upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company subject to the following:-

(a) The aggregate number of Ranhill Shares which may be purchased and/or held by the Company at any point of time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being quoted on Bursa Securities;

(b) The maximum funds to be allocated by the Company for the Proposed Share Buy-Back shall not exceed the retained earnings of the Company at the time of such purchase; and

(c) The authority conferred by this resolution will be effective immediately upon the passing of this Ordinary Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next Annual General Meeting after the date is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authorities;

THAT the Directors be and are hereby authorised to deal with the shares purchased by the Company pursuant to the Proposed Share Buy-Back in their absolute discretion and that the shares so purchased may be retained as treasury shares, distributed as share dividends to the shareholders, resold on the market of Bursa Securities, transferred and/or cancelled in accordance with the Act and/or be dealt with in such other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force, as may be selected and determined by the Directors from time to time;

AND THAT the Directors be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect the Proposed Share Buy-Back with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and to do all such acts and things as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

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

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5 (I) Part B of the Circular to Shareholders dated 21 March 2020 ("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 (1) Part B 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 B of the Circular."

10. **Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")** (Ordinary Resolution 11)

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.5 (II) Part B of the Circular to Shareholders dated 21 March 2020 ("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 B 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 B of the Circular."

To consider and if thought fit, to pass the following as Special Resolution:-

11. **Proposed Change of Name of the Company from "Ranhill Holdings Berhad" to "Ranhill Utilities Berhad" ("Proposed Change of Name")** (Special Resolution 1)

"**THAT** the name of the Company be changed from "Ranhill Holdings Berhad" to "Ranhill Utilities Berhad" effective from the date of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia ("CCM") to the Company.

AND THAT the Constitution of the Company shall be amended to replace all references therein to "Ranhill Holdings Berhad" with "Ranhill Utilities Berhad" subject to and upon issuance of the relevant Certificate of Change of Name by the CCM.

AND THAT the Directors and the Secretary of the Company be and hereby authorised to take such necessary steps to give effect to the Proposed Change of Name and to carry out all the necessary formalities in effecting the Proposed Change of Name."

12. 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 2019 ("Dividend") under Ordinary Resolution 1 at the 6th AGM of the Company, the Dividend will be paid to the shareholders on 28 May 2020. The entitlement date for the Dividend shall be 8 May 2020.

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, 8 May 2020 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) (PC No. 201908004064)
LEONG SHIAK WAN (MAICSA 7012855) (PC No. 202008002757)

Company Secretaries
Johor Bahru
21 March 2020

NOTES:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf except in the circumstances set out in notes 3 and 4 below. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. Where a member appoints more than one (1) proxy, each proxy appointed, shall represent a minimum of 100 shares and such appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

3. Where a member who is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds to vote instead of it, and that a proxy need not also be a member and that where a member appoints more than one proxy, the appointments shall be invalid unless it specifies the proportion of its holdings to be represented by each proxy.

5. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, it must be under its seal or under the hand of an officer or attorney duly authorised by the corporation.

7. **The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 20 April 2020, Monday 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 6th 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 15 April 2020, Wednesday shall be entitled to attend, speak and vote at the 6th AGM.

Note A

The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with the provisions of Section 340(1) of the Companies Act 2016 ("the Act"), and it does not require a formal approval of the shareholders. Hence, this agenda will not be put forward for voting.

Explanatory Notes on Ordinary Resolutions 1, 5, 7, 8, 9, 10 and 11

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 27 February 2020, 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 28 May 2020 in accordance with the requirements under Section 132(2) and (3) of the Act.

Ordinary Resolution 5 – Increase of Directors' fees for Non-Executive Chairman and Non-Executive Directors

The current Directors' fee has not been reviewed since the listing of Ranhill Holdings Berhad on 16 March 2016. As part of a periodical review to ensure the Company remains competitive against its peers and with the onerous responsibilities and accountabilities required of Directors per current requirements under the Companies Act 2016, the Capital Markets & Services Act 2007 and the Malaysian Code on Corporate Governance 2017, it is recommended that the Directors' fees per month be revised as follows:

Description	Existing Monthly Fees (RM)/Per Director	Proposed Monthly Fees Revision (RM)/Per Director
Board of Directors		
Chairman	15,000	25,000
Chairman's BIK	50,000 (per annum)	No Change
Member	12,000	12,500
Audit Committee		
Chairman	2,165	3,333
Member	1,500	1,667
Other Committee		
Chairman	-	2,500
Member	-	1,667

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 the Authority to Allot New Ordinary Shares in the Company (New Ranhill Shares), for the purpose of Dividend Reinvestment Plan ("DRP") that provides the Shareholders of the Company The option to elect to reinvest their cash dividend ("Proposed Renewal of DRP")

The Ordinary Resolution proposed under Resolution 8 of the Agenda will give authority to the Directors to allot and issue shares under the DRP in respect of dividend declared in this Annual General Meeting and subsequently, until the conclusion of the next Annual General Meeting. A renewal of this authority will be sought at the next Annual General Meeting.

Ordinary Resolution 9 – Proposed Renewal of Authority for Share Buy-back

The Ordinary Resolution proposed under Resolution 9 of the Agenda is to renew the shareholders' mandate for the share buy-back by the Company. The said proposed renewal of shareholders' mandate will empower the Directors to buy-back and/or hold up to a maximum of 10% of the Company's total number of issued shares at any point of time, by utilising the amount allocated which shall not exceed the total retained earnings of the Company. This authority unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier. Please refer to the Share Buy-Back Statement to Shareholders dated 21 March 2020 for further details.

Ordinary Resolution 10 – Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) of A Revenue or Trading Nature

The proposed Resolution 10, 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 21 March 2020 which is despatched together with the Company's 2019 Annual Report.

Ordinary Resolution 11 – Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed New Shareholders' Mandate")

The proposed Resolution 11, 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 21 March 2020, which is despatched together with the Company's 2019 Annual Report.

Explanatory Notes on Special Resolution 1.

Special Resolution 1 – Proposed Change of Name of the Company from "Ranhill Holdings Berhad" to "Ranhill Utilities Berhad" ("Proposed Change of Name")

The proposed Resolution 1, if passed, will take effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company.

Further information on proposal is set out in the Circular to Shareholders dated 21 March 2020, which is despatched together with the Company's 2019 Annual Report.

Statement Accompanying the Notice of the 6th Annual General Meeting

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

1) **DETAILS OF INDIVIDUALS WHO ARE SEEKING ELECTION**

No individual is seeking for election as a Director at the forthcoming Sixth Annual General Meeting of the Company ("**6th AGM**").

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

Ordinary Resolution set out in the Notice of 6th 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 6th AGM, the Directors have not utilised the mandate granted to the Directors at the last Fifth Annual General Meeting of the Company held on 11 April 2019 and the said mandate will lapse at the conclusion of the forthcoming 6th 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
Registration No.201401014973 (1091059-K)
(Incorporated in Malaysia)

I/We, ______________________________ *(NRIC/Company No.)______________________
(Full Name as per NRIC/Certificate of incorporation 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 as indicated below, at the **Sixth (6th) Annual General Meeting** of the Company to be held on **Tuesday, 21 April 2020 at 10.00 a.m. at Diamond 2, 10th Floor, Holiday Villa Johor Bahru City Centre, No. 260, Jalan Dato Sulaiman, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim**, and at any adjournment thereof, on the following resolutions referred to in the Notice of 6th AGM. My/our proxy is to vote as indicated below:

Please indicate with either an 'X' or "√" in the appropriate spaces provided below on how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion or as he/she thinks fit.

NO.	RESOLUTIONS	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 2019.			
Ordinary Resolution 2	To re-elect Tan Sri Azman Yahya pursuant to Article 111.			
Ordinary Resolution 3	To re-elect Datuk Abdullah Karim pursuant to Article 111.			
Ordinary Resolution 4	To re-elect Lim Hun Soon @ David Lim pursuant to Article 111.			
Ordinary Resolution 5	To approve the increase and payment of Directors' fees retrospective from 1 January 2020 and benefits until the conclusion of the next Annual General Meeting of the Company.			
Ordinary Resolution 6	To re-appoint Messrs Ernst & Young PLT 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 Authority to Allot New Ordinary Shares in the Company pursuant to the Dividend Reinvestment Plan.			
Ordinary Resolution 9	To approve the Proposed Renewal of Share Buy-Back Authority.			
Ordinary Resolution 10	To approve the Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature.			
Ordinary Resolution 11	To approve the Proposed New Shareholders' Mandate For Additional Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature.			
Special Resolution 1	To approve the Proposed Change of Name of Company from "Ranhill Holdings Berhad" to "Ranhill Utilities Berhad".			

Dated this ____________day of ______________________2020

Important: For appointment of proxies, please state the percentage of shareholdings, to be represented by the proxies.

	No.of Shares	Percentage (%)
First Proxy		
Second Proxy		
Total		**100**

____
Signature(s)/Common Seal of Member(s)

No. of Shares held	

(Contact No.:______________________)
(E-mail Address:______________________)

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 15 April 2020, Wednesday shall be entitled to attend, speak and vote at the 6th AGM.

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"), he/she may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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Ranhill Holdings Berhad
6th Annual General Meeting
21 April 2020

AFFIX
STAMP

The Share Registrars
BOARDROOM SHARE REGISTRARS SDN BHD
11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia

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4. Where a member of the Company is an exempt authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds 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 at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 20 April 2020, Monday 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 6th AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the e-polling process and verify the results of the poll respectively.

www.ranhill.com.my

RANHILL HOLDINGS BERHAD Registration No.201401014973 (1091059-K)
Bangunan Ranhill SAJ, Jalan Garuda, Larkin
80350 Johor Bahru, Johor Darul Takzim, Malaysia

T: 07 225 5300 | **F:** 07 225 5310 | **E:** info@ranhill.com.my