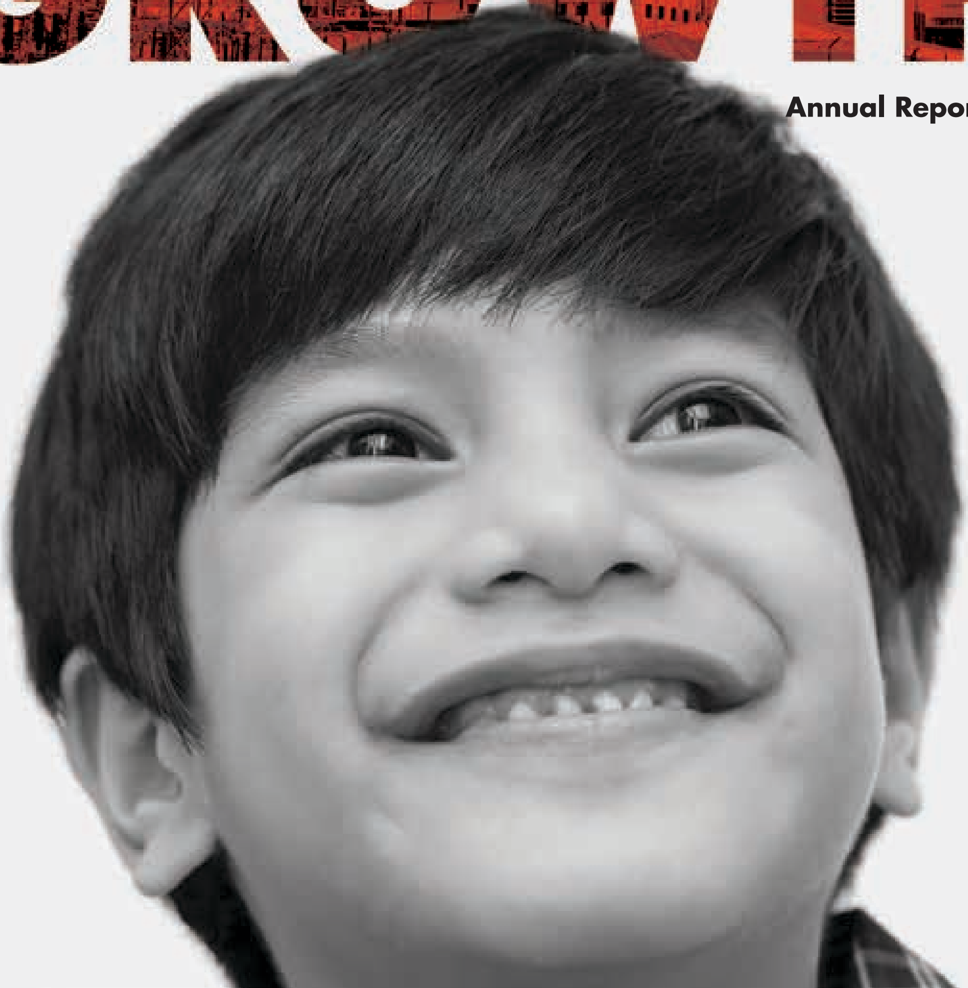
Ranhill

# ENRICHING LIVES SUSTAINING GROWTH

Annual Report 2015



# ENRICHING LIVES SUSTAINING GROWTH

Since inception, we have set out to fulfill the basic necessities of life. Our businesses are built around the needs at large for water and power, as we recognise the scarcity of these resources. We continue to grow by focusing on closing the gap, while doing it sustainably. We are here for the long run, to enrich the lives of today and tomorrow.

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# message to shareholders

It is with pleasure that we present to you our first Annual Report for Ranhill Holdings Berhad (the Group or the Company). We have had a challenging but exciting journey since we embarked on the listing exercise via the reverse takeover of Symphony House Berhad two years ago. Despite the difficult and volatile domestic and global economic conditions and a weaker ringgit, we continued to make steady progress.

Night view of Teluk Salut Combined Cycle Power Plant's emission stack

In 2014, we restructured the Group into two strategic business units, Environment and Power, emerging as a leaner entity. We are confident that our water and power concession businesses will keep on providing steady and recurring cash flows to the Group and we aim to continue looking for opportunities to expand such concession businesses by capitalising on our proven strengths in these sectors.

We remain bullish with the prospect of growing the Company further given the better economic outlook for 2016. The International Monetary Fund (IMF) projected a global economic growth of 3.4 percent in 2016 compared to 3.2 percent in 2015. It further projected increased growth in developing economies from 4 percent in 2015 to 4.3 percent in 2016. As for Malaysia, Bank Negara Malaysia (BNM) anticipates economic growth of between 4 percent and 4.5 percent in 2016. All this augurs well for our business expansion plans in Malaysia and other parts of Asia.

## MESSAGE TO SHAREHOLDERS


Major maintenance works on the gas turbine

## Developments in Our Environment Sector

Clearly, our strategy to grow our businesses with stable and recurring income that is less susceptible to economic cycles has shown the desired results. During the year under review, our Environment sector saw significant developments not only in Malaysia but also overseas.

Our subsidiary SAJ Holdings Sdn Bhd (SAJ) that holds an exclusive licence to provide source-to-tap water supply services to the entire state of Johor, was granted a water tariff increase of 14 percent on 1 August 2015. The tariff adjustment is necessary to ensure that we are able to meet not only operational obligations but also financing costs and capital investment.

Another subsidiary, Ranhill Water Services Sdn Bhd (RWS), a leading company in Non-Revenue Water (NRW) management and reduction in Malaysia, reduced the NRW level in Johor from 27 percent in 2014 to 25.6 percent as at 31 October 2015. Currently, we are working on NRW projects in Pahang and Kelantan with an average NRW reduction of 7.87 percent. All this is in tandem with National Water Services Commission's (SPAN) aim of reducing nationwide NRW to 25 percent in 2020.

In China, Ranhill Water Technologies (Cayman) Ltd. (RWT), entered into Build-Operate-Transfer (BOT) arrangements for a 10.0 MLD (million litres per day) wastewater treatment plant in Chongren Industrial Park, Jiangxi Province for 29 years. This agreement further cemented our expansion in industrial wastewater treatment services in third tier cities in China.

## Developments in Our Power Sector

In the Power sector, we own and operate two 190 MW plants in Sabah, Ranhill Power I (RPI) and Ranhill Power II (RPII), providing for the sale of up to 380 MW of electricity-generating capacity and electricity production for 21 years. We boosted the efficiency of the RPI plant by converting its mode of operation from open cycle to combined cycle. This raised the power generating capacity from 120 MW to 190 MW.

The Group's total power generation capacity of 380 MW translates to 37 percent of market share in Sabah with the balance of 63 percent held by other Independent Power Producers (IPPs) as at 2015.

## LOOKING AHEAD

### The Domestic Market

The 11th Malaysia Plan (2016-2020) includes a new tariff setting mechanism for sewerage services and an integrated water supply and sewerage services billing system. Upon implementation of the new tariff mechanism and the integrated billing system, we aim to pursue opportunities to integrate sewerage services with our water supply services particularly in Johor Bharu and Pasir Gudang, which are currently being managed by their City Council and Municipal Council respectively. The integrated billing system is expected to increase the sewerage collection rates by 20 to 30 percent, enabling sewerage service providers to carry out scheduled maintenance and encouraging the refurbishment of under-performing sewage treatment facilities. We believe these will create opportunities which we shall actively pursue by leveraging our capabilities and expertise gained from years of experience in the design, construction, operation and maintenance of wastewater treatment facilities in Malaysia and overseas.

Our NRW reduction programme is in alignment with the target set by SPAN and the 11th Malaysia Plan to reduce NRW from 36.6 percent in 2013 to 25 percent by 2020. As a leading company in Malaysia in the NRW management and reduction programme, we are well-positioned to pursue opportunities under this Government initiative to reduce the national NRW level by leveraging our clearly-proven expertise and technologies.

We developed an in-house web-based AquaSMART system to monitor water leakages in a more efficient manner. This has enabled us to detect leakages along the pipelines within one to two hours, improving our efficiency in managing and reducing NRW. We are in the process of applying for a patent with the Intellectual Property Corporation of Malaysia for the system, thus enhancing our opportunity to commercialise it.

Further, our subsidiary, Premier Water Services Sdn Bhd (PWS) has been appointed as sole distributor for the UK-based Technolog Co. Ltd. With this, we will market, sell and install all Technolog battery powered data loggers, automatic meter readers and other patented products in Malaysia. With its over 30 years' experience, Technolog Group will provide technology support and consultation services to PWS, turning it into a total solution and service provider for NRW management.

Xiaolan Industrial Park, Wastewater Treatment Plant, China

Demineralisation Plant in Rugading CCGT Power Plant

### The China Market

The Company's track record in managing wastewater treatment plants since the formation of RWT provides it with the edge to benefit from China's rapid industrialisation. We would like to highlight that the industrial wastewater treatment segment in China is relatively underserved due to rapid industrialisation. This presents an opportunity, particularly for existing foreign players there, especially those with more advanced technology and equipment such as Ranhill.

We have in the pipeline plans to increase our water and wastewater capacity in China from 310 MLD in 2015 to 1,000 MLD by 2020. Our modular technology of building treatment plants is one of our key advantages that we can capitalise on. The technology allows various degrees of customisation and desired capacities, offering flexibility for future plant expansion. Geographically, Ranhill will focus on tier 3 industrial parks, water scarce areas, and local governments with readily available budgets for new water and wastewater treatment facilities.

### The Thailand Market

In Thailand, we expect to see stable earnings contribution from our concessions. In addition to Thailand's National Water Policy which is committed to developing its water supply industry, there are other key drivers contributing to our positive outlook.

The Thai government announced a budget allocation equivalent to RM765 billion for water resource treatment expenditure. The government also announced its commitment to develop the first phase of Special Economic Zone (SEZ) where funding and incentives will be provided for basic infrastructure including water and wastewater.

All these will provide opportunities for the Group to further expand our businesses in Thailand.

In Power sector, we seek to expand our power generation capacity to 1,000 MW by 2020 by looking at renewable and clean energy which include geothermal and gas. This is aligned with Malaysian National Renewable Energy (RE) Policy and Action Plan 2010 that seeks to increase RE contribution in the national power generation mix from 5.5 percent in 2015 to 11 percent in 2020.

We believe, with our strong track record and performance in power generation and distribution, Ranhill will be able to make a headway in cultivating RE from geothermal, wind and solar in Malaysia and Asia. Sabah for instance, given its geographical location, is fortunate to have RE sources that have the capacity to generate more than 2,700 MW which the Company can tap into.

## MESSAGE TO SHAREHOLDERS

### Ensuring Sustainability through Circular Economy

We are cognisant of the impact of our businesses on the environment. In the course of expanding our businesses, we have been consistently improvising our operational systems to ensure our carbon footprint on the environment is as minimal as possible. This is vital as in Malaysia alone, we provide potable water to approximately 3.5 million people in the state of Johor and electricity to 1.3 million out of 3.5 million people residing in Sabah.

In our Environment sector, we have saved 332.9 MLD of water, a valuable diminishing resource, through our NRW management programme. This is equivalent to 119.8 kg of $CO_2$ reduction.

In China and Thailand, we have played a role in minimising environmental impact by processing industrial wastewater to DOE standard water for it to be channelled back into natural water bodies like rivers and lakes. We have also gone a step further by reclaiming treated water to be re-used by manufacturers in industrial areas.

As for our Power sector, we made the unequivocal decision to only use clean energy for our power plants and this has translated into the adoption of gas in replacement of coal at our RPI plant in 2008 and our RPII plant in 2011. Our conversion to combined cycle gas turbine (CCGT) plant is also part of our efforts to conserve the energy used.

SAJ's winning second place in the MYCarbon Awards in 2015 given by the Ministry of Natural Resources and Environment Malaysia in recognition of its environmental preservation initiatives also says much of our efforts.

Our current business processes fit well into the Circular Economy Model where by design, we minimise waste and pollution emitted into the environment. Moving forward, we would like to further embrace this approach to ensure sustainability as far as we are able to. Given the rapid depletion and scarcity of natural resources, this is our best option.

Inspection at Amata City water and wastewater treatment plant, Thailand

Site inspections at Teluk Salut Power Plant, Kota Kinabalu, Sabah

## Appreciation

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

Thank you as well to our employees for their perseverance and dedication despite the challenges these past years. Finally, our heartfelt gratitude to our esteemed colleagues on the Board for their sound counsel and guidance. We trust that all of our stakeholders will continue to give us their unwavering support and commitment as we work together to drive Ranhill steadfastly forward.

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

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

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

**DATO SRI LIM HAW KUANG**
Executive Director

**DATUK SERI SAW CHOO BOON**
Senior Independent Non-Executive Director

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

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

**DATO' ZULKIFLI IBRAHIM**
Independent Non-Executive Director

**ABU TALIB ABDUL RAHMAN**
Independent Non-Executive Director

**RITZLAN HALIM**
Non-Independent Non-Executive Director

## AUDIT COMMITTEE

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

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

**ABU TALIB ABDUL RAHMAN**
Member
Independent Non-Executive Director

## NOMINATING AND REMUNERATION COMMITTEE

**DATUK SERI SAW CHOO BOON**
Chairman
Senior Independent Non-Executive Director

**ABU TALIB ABDUL RAHMAN**
Member
Independent Non-Executive Director

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

## GOVERNANCE AND RISK MANAGEMENT COMMITTEE

**DATUK SERI SAW CHOO BOON**
Chairman
Senior Independent Non-Executive Director

**ABU TALIB ABDUL RAHMAN**
Member
Independent Non-Executive Director

**DATO SRI LIM HAW KUANG**
Member
Executive Director

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

## STRATEGY AND INVESTMENT COMMITTEE

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

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

**DATO SRI LIM HAW KUANG**
Member
Executive Director

**DATO' ZULKIFLI IBRAHIM**
Member
Independent Non-Executive Director

**LIM HUN SOON @ DAVID LIM**
Member
Independent Non-Executive Director

## GROUP COMPANY SECRETARY

**LAU BEY LING**
Chartered Secretary
MAICSA 7001523

## JOINT COMPANY SECRETARY

**LEONG SHIAK WAN**
Chartered Secretary
MAICSA 7012855

## REGISTERED OFFICE

Level 15, Wisma PERKESO
No. 155 Jalan Tun Razak
50400 Kuala Lumpur
Telephone No. : 603-26855200
Facsimile No. : 603-26855286

## REGISTRAR

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

## AUDITORS

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

## PRINCIPAL BANKERS

Malayan Banking Berhad

## STOCK EXCHANGE LISTING

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

## WEBSITE

www.ranhill.com.my

***Note:***
** The Company assumed its listing status on 16.12.2015 upon completion of the reverse takeover of Symphony House Berhad*

# board of directors

from left to right :

**DATO SRI LIM HAW KUANG**
Executive Director

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

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

**DATUK SERI SAW CHOO BOON**
Senior Independent Non-Executive Director

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

**ABU TALIB ABDUL RAHMAN**
Independent Non-Executive Director

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

**RITZLAN HALIM**
Non-Independent Non-Executive Director

**DATO' ZULKIFLI IBRAHIM**
Independent Non-Executive Director

# board of directors' profile

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

TAN SRI AZMAN YAHYA, aged 52, was appointed on our Board as the Non-Independent Non-Executive Chairman on 1 September 2014.

After graduating with first class honour in Economics from the London School of Economics in 1985, he worked at KPMG in London and became a member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Bankers. He returned to Malaysia in 1988 where he built his career in investment banking to become Chief Executive of Amanah Merchant Bank.

During the Asian Financial Crisis in 1998, Tan Sri Azman was tasked by the Malaysian Government to set-up and head Danaharta, the national asset management company to acquire, manage and resolve the non-performing loans in the banking sector. He was also the Chairman of Corporate Debt Restructuring Committee, set up by Bank Negara Malaysia, to mediate and assist in debt restructuring programmes of viable companies.

In 2003, he returned to the private sector and is currently the Executive Chairman of Symphony Life Berhad. He also serves as a Director of PLUS Expressways International Berhad, Scomi Group Berhad and AIA Group Limited, Hong Kong.

Tan Sri Azman is active in public service and sits on the Boards of Khazanah Nasional Berhad and Ekuiti Nasional Berhad, the investment arm and private equity arm of the Malaysian Government respectively. He is a member of the Special Economic Council of the Prime Minister's Department and a member of Capital Market Advisory Group of the Securities Commission. He is also the Chairman of Motorsports Association of Malaysia and is a Director of Sepang International Circuit Sdn Bhd.

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

TAN SRI HAMDAN MOHAMAD, aged 60, was appointed to our Board as Executive Director and the President and Chief Executive of our Group on 1 December 2015.

He obtained his Engineering degree from University of Western Australia in 1980 and a Masters Degree in Engineering from Imperial College, University of London in 1986. He is a Fellow of the Institution of Engineers, Malaysia and a Professional Engineer registered with our Board of Engineers, Malaysia. He is also a Fellow and a Chartered Engineer registered with the Institute of Civil Engineers, United Kingdom.

He 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.

On 2 January 2013, he was appointed Executive Director and on 14 June 2013, he was appointed as Group President and Chief Executive of Ranhill Energy and Resources Berhad (now known as Ranhill Energy and Resources Sdn Bhd), a position he held before his appointment as our Executive Director.

## BOARD OF DIRECTORS' PROFILE

### DATO SRI LIM HAW KUANG
Executive Director

DATO SRI LIM HAW KUANG, 62, was appointed to our Board as Executive Director on 1 September 2014.

He holds a Bachelor of Science (Computing Science) degree from Imperial College, University of London in 1978. He also holds a Master of Business Administration in International Management from IMD Switzerland (formerly known as International Management Institute, Geneva) in 1986.

He worked for Shell for 34 years and held various senior executive positions including:

– Executive Chairman of Shell Companies in China
– Vice President Corporate Strategy and Planning for Shell International
– President Oil Products for Asia Pacific and Middle East
– Chairman of Shell Malaysia and Managing Director of Shell Malaysia Exploration and Production
– Senior Corporate Adviser, Asia Pacific for Shell International
– Business Development Manager for Former Soviet Union and Sakhalin for Shell International Gas

In 2011, the Beijing Municipal Government honoured him with the "Great Wall Friendship Award" for his contributions to the City. He is an international council member of the China Council for International Cooperation on Environment and Development. He was previously the President of Malaysia Business Council for Sustainable Development and a Director of China Business Council for Sustainable Development. He has been awarded state honours by the Malaysian Government. He is also an honorary citizen of Texas and the City of Houston, United States of America.

He was an Independent Board Director of BG Group in the UK from March 2013 to February 2016. He is currently an Independent Board Director of the Central Bank of Malaysia (Bank Negara Malaysia), Sime Darby Berhad in Malaysia and ENN Group in China.

**DATUK SERI SAW CHOO BOON**
Senior Independent Non-Executive Director

DATUK SERI SAW CHOO BOON, 69, was appointed as a Senior Independent Non-Executive Director on 1 September 2014.

He holds a Bachelor of Science (Hons) in Chemistry from University of Malaya. He joined Shell in 1970 as a Refinery Technologist. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and the Netherlands. In 1996, he was appointed Managing Director of Shell MDS (Malaysia) Sdn Bhd. In 1998 to 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Shell Refining Company (FOM) Bhd. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the Commercial business in the Asia-Pacific region. In 2005, he managed Shell's global marine products business. On 18 May 2006 he became the Chairman of Shell Malaysia until his retirement on 30 June 2010, after 40 years of continuous service.

Currently, he is an Independent Director of three listed companies namely DiGi.Com Berhad, RHB Capital Berhad and Guinness Anchor Berhad. He is also an Independent Director of RHB Investment Bank Berhad, Phoenix Petroleum (M) Berhad, Integrated Petroleum Berhad and MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT).

In addition, he is the Co-chair of the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), President of the Federation of Malaysian Manufacturers Council and a Director on the Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

## BOARD OF DIRECTORS' PROFILE

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

LIM HUN SOON @ DAVID LIM, aged 61, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

He graduated from the University of Leeds with a Bachelor of Arts in Economics in 1978 and subsequently joined KPMG (formerly known as Peat Marwick Mitchell) in the United Kingdom in 1978. He qualified as a member of the Institute of Taxation, United Kingdom in 1981 and as a Chartered Accountant in England and Wales in 1982. He returned to Malaysia in 1982 to continue his service with KPMG, and was admitted as a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants (now known as Malaysian Institute of Certified Public Accountants (MICPA)) in 1982 and 1984 respectively.

He had an extensive career serving as an Auditor at KPMG, spanning 33 years. During his career with KPMG, he was admitted as Partner of the firm in April 1990 and served in the Management Committee of the firm from 1997 to 2001 and in KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing from 2000 to 2001, in which role he gained extensive and insightful knowledge from KPMG Global counterparts worldwide. He retired from KPMG in 2011.

He actively served as an examiner for Company Law examinations conducted by the MICPA for over 10 years. He was Chairman of MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee, both from 2002 to 2004. He was appointed as a council member of the Institute of Chartered Accountants in England and Wales in May 2013 (the first time Malaysia was granted a seat in the Council) for a term of two (2) years which he had completed in June 2015, and was renewed for a further two (2) years' terms up until May 2017.

He is an Independent Non-Executive Director of Manulife Holdings Berhad, Ann Joo Resources Berhad, Sasbadi Holdings Berhad and Kawan Food Berhad, which are listed on the Main Board of the Bursa Malaysia Securities Berhad. He is also an Independent Non-Executive Director of Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad), Affin Investment Bank Berhad, Manulife Insurance Berhad and Rockwills Trustee Bhd.

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

DATUK DR. NIK NORZRUL THANI NIK HASSAN THANI, aged 56, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

He obtained a Ph.D in Law from the School of Oriental and African Studies (SOAS), University of London in 1993 and a Masters in Law from Queen Mary College, University of London in 1985. He graduated in law at the University of Buckingham, United Kingdom in 1984.

He also obtained a post-graduate Diploma in Syariah Law and Practice (with Distinction) from the International Islamic University Malaysia in 1987. He is a Barrister of Lincoln's Inn and an Advocate and Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was formerly a Visiting Fulbright Scholar, Harvard Law School and Chevening Fellow at the Oxford Centre of Islamic Studies. He is also a Fellow of the Financial Services Institute of Australia (FINSIA).

Currently, he is the Chairman and Senior Partner of Zaid Ibrahim & Co. (a member of ZICOlaw). Prior to joining Zaid Ibrahim & Co., he was with Baker & McKenzie (International Lawyers), Singapore.

He sits on the Boards of Fraser & Neave Holdings Berhad, UMW Holdings Berhad, Al Rajhi Banking & Investment Corporation (M) Berhad, MSIG Insurance (M) Berhad, Tanjung Offshore Berhad and Chin Hin Group Berhad.

## BOARD OF DIRECTORS' PROFILE

### DATO' ZULKIFLI IBRAHIM
Independent Non-Executive Director

DATO' ZULKIFLI IBRAHIM, aged 61, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

He obtained a Bachelor of Science (Honours) degree in Electrical and Electronics Engineering from Leeds University, United Kingdom in 1979. He is a registered Professional Engineer with the Board of Engineers, Malaysia and a Member of the Institution of Engineers, Malaysia.

He began his career with the National Electricity Board (now known as Tenaga Nasional Berhad (TNB)) in 1979. During his tenure with TNB, he was a member of TNB's task force, reviewing the Malaysian Grid Code. He has over 8 years of experience in power plant construction and commissioning works and was involved in the design of six large power plant projects throughout Malaysia.

He left TNB in 1993 to join Sikap Power Sdn Bhd where he was involved in the development of the 1,303 MW Lumut power plant (now known as the Segari power plant). In 1994, he set up the first 100% Malaysian owned and managed company, involved in managing the operations and maintenance of power plants, known as Teknik Janakuasa Sdn Bhd (TJSB). He headed this company as a General Manager and was promoted to Chief Operating Officer in 1996. He was instrumental in the development of TJSB until his departure to Malakoff Berhad in 1997 as its Chief Operating Officer.

In June 2002, he moved into Rangkai Positif Sdn Bhd, a company involved in the operations and maintenance of the 2,100 MW coal-fired power plant in Tanjung Bin, Johor as the Chief Executive Officer. In May 2003, he joined Asdeq Services Sdn Bhd as a Director to assist in the development of the 1,400 MW Jimah coal-fired power plant. In September 2004, he was appointed as an Executive Director in Jimah Energy Ventures Sdn Bhd (Jimah), the project development company of the 1,400 MW Jimah power plant. He was subsequently appointed as the Managing Director of Jimah on 1 June 2005 before retiring in January 2014.

**ABU TALIB ABDUL RAHMAN**
Independent Non-Executive Director

ABU TALIB ABDUL RAHMAN, aged 63, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

He holds a degree from a university in United Kingdom in 1979 and obtained his qualification to practice from Lembaga Kelayakan Malaysia in 1984. In 1986 he was called to the Malaysian Bar as Barrister. He has since been a member of the Malaysian Bar where he is also a member of the Disciplinary Board. Abu Talib has been a Notary Public since 2009.

Abu Talib started his career as a banker with an agriculture bank in Malaysia. He then moved to work in a merchant bank before harnessing further experience with a commercial bank from 1981 to 1985. During his tenure with the commercial bank, Abu Talib was appointed secretary and entrusted to supervise the construction of UMNO building and Putra World Trade Centre which began in 1981 until its completion in 1984.

From 1986 to 1991, he was a partner of other legal firms before establishing Messrs Abu Talib Shahrom (formerly known as Messrs Abu Talib Shahrom Khamil & Zahari). Being a founding partner of Messrs Abu Talib Shahrom, his area of legal expertise encompasses corporate law, corporate secretarial, corporate finance and banking, commercial contracts, construction and private finance initiative projects with the Government of Malaysia.

He also sits as a Director for a few private companies in Malaysia.

## BOARD OF DIRECTORS' PROFILE

### RITZLAN HALIM
Non-Independent Non-Executive Director

RITZLAN HALIM, aged 45, was appointed to our Board as Non-Independent Non-Executive Director on 1 December 2015.

He obtained his Bachelor of Science (Economics) degree, specialising in Accounting and Finance from the London School of Economics and Political Science, United Kingdom in 1994 and attained a Master of Business Administration in Finance from the University of Hull, United Kingdom in 1998.

Following his graduation in 1994, he joined the Corporate Finance Department of Aseambankers Malaysia Berhad. Subsequently in 1996, he joined the Corporate Finance Division of RHB Securities Sdn Bhd and served until 2003 where his last held position was Senior General Manager and during which he gained extensive experience in a wide range of corporate finance and investment banking related transactions. Thereafter from 2003 to 2007, he was attached to Arah Advisory Services Sdn Bhd where he was involved in various aspects of corporate finance advisory transactions and private equity investments, with his last held position being Executive Director of Corporate Finance. In 2007, he joined the TAEL Partners Ltd group, a regional private equity investment firm where he currently holds the designation as an Executive Director.

* *Encik Ritzlan 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.*

### OTHER INFORMATION OF DIRECTORS

**Any family relationship with any Directors and/or substantial shareholders of Ranhill Holdings Berhad.**
There are no family relationships between the Directors and/or major shareholders of the Company

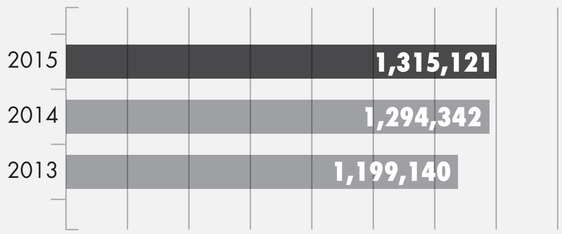
**Conflict of Interest**
Save as disclosed in the related party transactions of this Annual Report and the Circular to the Shareholders dated 3 May 2016, none of the Directors have any conflict of interest with the Company

**List of Convictions for Offences within the Past 10 Years other than Traffic Offences**
All Directors maintain a clean record with regards to convictions for offences

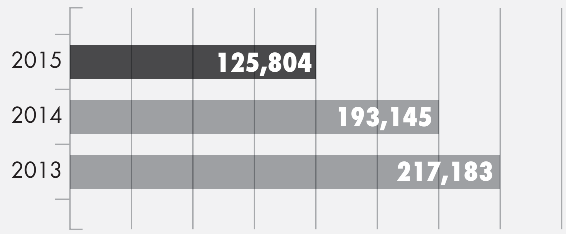
**Attendance at Board Meeting**
There was no Board Meeting held during the year under review

# GROUP FINANCIAL HIGHLIGHTS

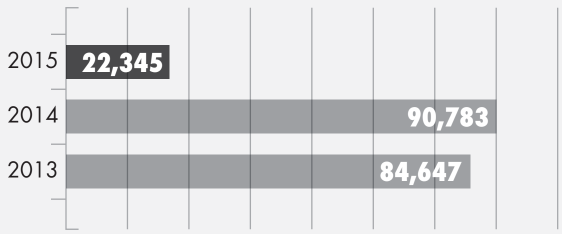
**Revenue**
(RM '000)



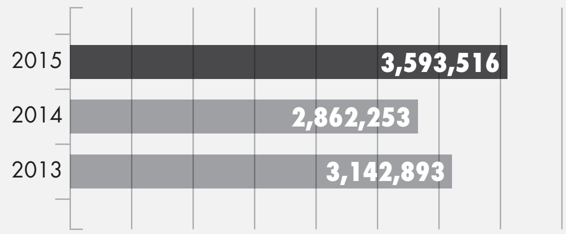

**Profit from Operation**
(RM '000)




**Net Profit for the Year**
(RM '000)




**Total Asset**
(RM '000)




*As per Consolidated Audited Financial Statements*
*As per Combined Statements*

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| | As per Combined Statements | | As per Consolidated Audited Financial Statements |
| Weighted Average Number of Ordinary Share ('000) | 565,995 | 565,995 | 565,995 |
| Basic Earnings per Ordinary Share (sen) | 14.96 | 16.04 | 3.95 |
| Shareholders' Equity (RM '000) | 892,804 | 811,962 | 172,868 |
| Net Asset per Share (RM) | 1.58 | 1.43 | 0.31 |

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

*The 2015 numbers have accounted for one-off expenses such as cost assuming listing status of Symphony House Berhad and reverse takeover expenses of RM45,592,000 and RM9,918,000 respectively.*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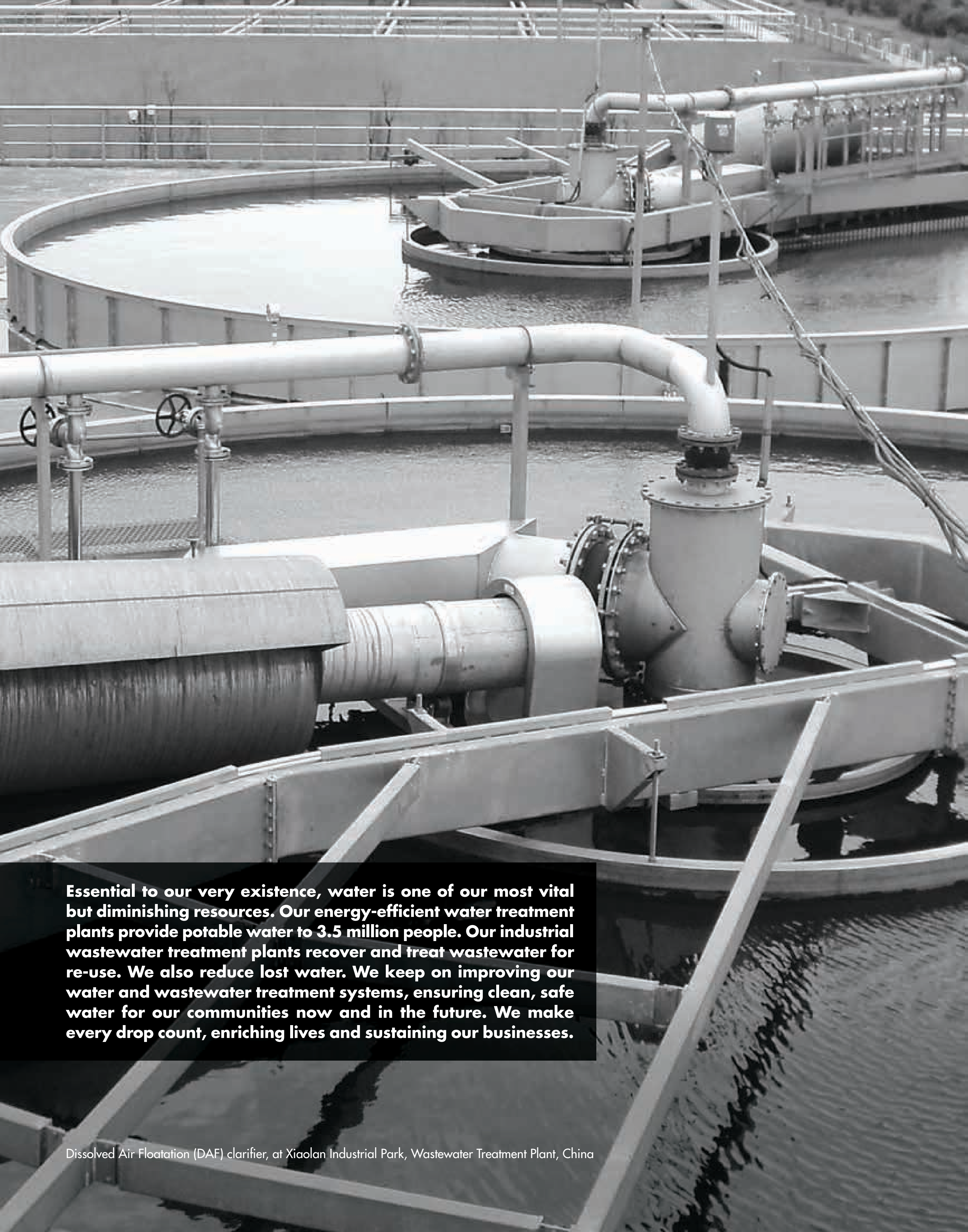
# siness overview

Ranhill Holdings Berhad is a Malaysian conglomerate with interests in the Environment and Power sectors. In the Environment sector, we provide water supply services, operate water and wastewater treatment plants, and provide specialised services in the management and optimisation of water utility assets. In the Power sector, we develop, own and operate power generation assets. Our operations and services are primarily in Malaysia, and our international operations are centred in Asian markets such as China and Thailand.

Combined Cycle Power Plant in Kota Kinabalu, Sabah



**Essential to our very existence, water is one of our most vital but diminishing resources. Our energy-efficient water treatment plants provide potable water to 3.5 million people. Our industrial wastewater treatment plants recover and treat wastewater for re-use. We also reduce lost water. We keep on improving our water and wastewater treatment systems, ensuring clean, safe water for our communities now and in the future. We make every drop count, enriching lives and sustaining our businesses.**

Dissolved Air Floatation (DAF) clarifier, at Xiaolan Industrial Park, Wastewater Treatment Plant, China


TREATING
WATER
FULFILLING
NEEDS

## OUR ENVIRONMENT SECTOR

Our water and wastewater treatment businesses continue to be the core engine of our growth as concessions in Malaysia, Thailand and China continue to bring in steady revenues. Ranhill water divisions comprising SAJ Holdings Sdn Bhd (SAJ), Ranhill Water Services Sdn Bhd (RWS), Ranhill Water Technologies (Cayman) Ltd. (RWT) and Premier Water Services Sdn Bhd (PWS) anticipate rapid growth in the water and wastewater sectors. We have already gained a larger market share in the countries we operate in and have gained recognition as a leading water company in Asia.

### Our Operations in Malaysia

We hold an exclusive licence from 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, the second most populous state in Malaysia. Our licence covers the complete cycle of potable water supply services, from the sourcing of raw water, treatment and distribution of treated water to consumers, including treated water sourced from third parties, management and maintenance of the water supply system to a full range of customer services including billing and collection services. Our "asset-light" business model allows us to focus on continuous improvements in operational efficiencies.

As at 30 November 2015, the water supply system in the State of Johor in which we operate, had an aggregate treatment design capacity of 1,986.4 MLD and produced 1,571.9 MLD in November 2015. This also included a distribution network of 21,229 km of pipelines (including 163 km of raw water mains, 3,162 km of distribution mains and 17,904 km of reticulation mains, which are the pipes connecting our distribution mains to end-customers), as well as 636 active storage and service reservoirs as at 30 November 2015.

Bandar Tenggara Water Treatment Plant in Johor

Our operational capability is reflected in our meeting the KPIs as agreed and monitored by the National Water Services Commission (SPAN), including full water supply coverage in urban areas in the State of Johor as well as compliance with the treated water quality targets as agreed with SPAN.

We also reduced state-wide NRW from above 40.0 percent in 1999 (being the year the previous SAJ concession agreement was entered into) to 25.8 percent as at 30 November 2015. In order to maintain the quality of treated water according to the Drinking Water Quality Standard, we have established 850 water sampling points in the State of Johor, as well as a programme to clean 636 storage and service reservoirs in the state.

## Our Presence in Thailand and China

We also operate water concession assets on a BOT, BTO and TOT basis in China (eight wastewater treatment plants with capacities ranging from 5.0 MLD to 80.0 MLD and a 30.0 MLD reclamation plant). In Thailand we operate four potable water treatment plants with capacities ranging from 10.5 MLD to 15.0 MLD, four wastewater treatment plants with capacities ranging from 1.5 MLD to 24.0 MLD and a 10.0 MLD reclamation plant.

In addition, through our joint venture, Yichun Pinang, we also operate a potable water treatment plant in Yichun City, China with a treatment capacity of 50.0 MLD.

Our operational capability in China and Thailand is reflected in our fulfilment of the requirements and standards agreed by our customers, including, among others, full compliance with the agreed treated water quality targets.

## Our Innovations and Achievements

We offer cost-effective solutions through our modular "Fit-to-Need" system. This design innovation enables our customers to increase the capacity and customise their water treatment plants to cater to their needs as and when needed.

Through our subsidiaries and joint venture, we have a proven track record in securing long-term contracts in Malaysia, China and Thailand. Our success in obtaining international contracts stems from our determination to seek and develop working relationships with local authorities looking to explore opportunities to improve their water and wastewater infrastructures. Further, we have acquired numerous Engineering, Procurement & Construction (EPC) and consultancy services contracts relating to various water-related projects with numerous state governments in Malaysia, namely Johor, Melaka, Kedah, Terengganu, Kelantan, Pahang and Perak, and with the Department of Sewerage Services under the Ministry of Energy, Green Technology and Water, Malaysia.

Our success in the water and wastewater treatment business in Malaysia has enabled us to expand our environment business overseas through RWT in countries such as China and Thailand, which we believe are highly attractive growth markets. Given the growth prospects of the Chinese economy where treated water demand is projected to reach 2,280,274 MLD by 2050 according to Frost & Sullivan, and the anticipated scarcity in water supply, we expect opportunities for RWT to offer its services and solutions to potential customers to achieve a sustainable water supply and combat water resources pollution.

In addition, our experienced team of engineers in Malaysia has developed competitive and cost-effective applications which have been used to increase the efficiency of treatment plants. Our water treatment plants are termed compact treatment plants which provide several advantages as opposed to other treatment plants that are termed conventional treatment plants. One of the advantages is the throughput that is more than double as compared to conventional treatment plants, resulting in up to a 50 percent smaller plant footprint required for our treatment plants as compared to conventional water treatment plants with equal treatment capacity. The smaller land requirement and investment in civil work for our treatment plants result in lower capital expenditures.


Sequential Batch Reactor (SBR) as biological treatment in Thailand

Aerator in Semanggar Water Treatment Plant

Our treatment plants also offer other advantages including being modular, which allows our treatment plants to be built according to the desired capacity. The modular system is flexible enough to allow further upgrades in tandem with future rising demand. Compact treatment plants utilise greater use of pre-fabricated components that are fabricated off-site, which result in a shorter construction period. This is due to works being concurrently carried out at the site and at the fabrication facilities off the site.

In China, we have harnessed our in-house solutions to focus on a niche market for industrial wastewater treatment, which we believe can yield higher returns. Moving forward, the track record of SAJ will be a key reference for water concessions in China. We believe this will also create opportunities for us to provide NRW management and project management services in China.

Our efforts and successes have been recognised by the local authority of Nanchang in respect of the Xiaolan Economic Development Zone in Nanchang, Jiangxi Province, China where we currently operate an 80.0 MLD wastewater treatment plant under two separate concessions. This was demonstrated through us being given multiple awards for environmental conservation by the Jiangxi Provincial Government in 2009 and from 2008 to 2011 by the Nanchang City Government which recognises the Xiaolan Economic Development Zone as one of the industrial parks in the Jiangxi Province that complies with the authority's standard of treated wastewater. Through the application of our in-house solutions and engineering expertise, we are able to consistently meet the standards of treated wastewater as set by the local authorities in China notwithstanding that they have been revised numerous times.

We also have interests in four BOT and two BTO concessions with total treatment capacity of 102.0 MLD in Thailand where we provide water treatment, wastewater treatment and reclamation water treatment services to two industrial parks and a university.

Measuring water pressure
within District Metering Areas

## Our NRW Reduction Programme

Our NRW reduction programme is a significant programme that we have implemented in the State of Johor since the inception of SAJ. This programme aims to reduce the NRW level in Malaysia, to develop standardised methodologies for long-term NRW success and to enhance skills and know-how in NRW management.

According to Frost & Sullivan, despite having the second longest water pipeline network in Malaysia, Johor achieved the lowest NRW per kilometre of water pipe length at 0.02 MLD per kilometre in 2014. In Malaysia as well as other countries, NRW reduction has become a key focus for cost optimisation and operational efficiency. The loss of water through leakages and faulty delivery systems is a burgeoning issue for all water companies, and we believe we are well-positioned to offer our expertise in this area.

We have developed in-house a web-based AquaSMART system to monitor water leakages in a more efficient manner. AquaSMART is able to detect leakages within the delivery system within one to two hours, thus improving our efficiency in managing and reducing NRW. AquaSMART has been successfully implemented in the states of Johor and Melaka, and we are currently in the process of applying for a patent with the Intellectual Property Corporation of Malaysia for the system, thereby enhancing our ability to commercialise it.

Since the execution of our Johor concession agreement in 1999 and the commencement of our water supply concession in Johor in 2000, we have reduced the state-wide NRW rate from above 40 percent in 1999 to 25.8 percent as at 30 November 2015. We also performed services related to NRW reduction, including District Metering Areas (DMA), Geographical Information Systems (GIS) and network modelling and network management in the states of Kedah, Melaka and Terengganu. This reduced the NRW rate in Sungai Petani, Kedah from 50 percent in 2008 to 21 percent in 2010, from 35 percent in December 2007 to 21.6 percent in May 2014 in Melaka, and from 50 percent in October 2012 to 15 percent in January 2014 in Hulu Terengganu and Dungun, Terengganu. We have also worked on a number of NRW reduction projects funded by the World Bank in Thailand, Vietnam, the Philippines and Indonesia.

Our NRW reduction programme is in accord with the target set by SPAN and the 11th Malaysia Plan to reduce NRW to 25 percent by 2020. Under the 11th Malaysia Plan, the national NRW level is targeted to be reduced from 36.6 percent in 2013 to 25.0 percent in 2020 with the implementation of a holistic NRW reduction programme. As a leader in NRW management and reduction programme in Malaysia, we are well-positioned to pursue opportunities under this Government initiative to reduce the national NRW level.

The Operation and Management (O&M) element of our NRW management system is important as NRW services need to be continuously performed after initial reduction targets have been achieved in order to maintain and also to set new reduction targets. These present opportunities for us to continue to provide long-term O&M services to our clients.

Web-based DMA monitoring and analysis - AquaSMART System

## Moving Forward

The Malaysian Government has announced the implementation of infrastructure improvements for water treatment, wastewater treatment, sewer rehabilitation and other water-related initiatives. The Government also intends to integrate sewerage services with water supply services under the framework of the Water Services Industry Act. Our experience in the water business well-positions us to benefit from opportunities arising from these Government initiatives.

The 11th Malaysia Plan (2016-2020) includes a new tariff setting mechanism for sewerage services and an integrated water supply and sewerage services billing system. Upon implementation of the new tariff mechanism and the integrated billing system, we intend to pursue opportunities to integrate sewerage services with our water supply services, particularly in Johor Bahru City and Pasir Gudang, which are currently being managed by their City Council and Municipal Council respectively. In addition, the implementation of the new tariff setting mechanism combined with the integrated billing system which the Government expects will increase collection rates by 20 percent to 30 percent, is expected to result in the improved financial sustainability of sewerage service operators. We believe this improved financial sustainability will enable sewerage service operators to carry out scheduled maintenance, as well as encourage the refurbishment of under-performing sewage treatment plants.

We believe these will create opportunities which we intend to actively pursue, and enable us to leverage our capabilities and expertise gained from years of experience in the design, construction, operation and maintenance of wastewater treatment facilities in Malaysia and overseas.

**In providing electricity to 1.3 million in Sabah, we take seriously our commitment to enhance lives today and in the future. We use gas, not diesel so our plants produce clean power, protect public health and the environment. Our combined cycle power plants result in reduced $CO_2$ emissions. We thus minimise our impact on climate change. We have been improving the energy efficiency of our power plants and meeting the standards set by the Department of Environment.**

190 MW Rugarding Combined Cycle Power Plant

# POWERING POPULATIONS ILLUMINATING LIVES

# OUR POWER SECTOR

Through our 60 percent–owned subsidiary Ranhill Powertron Sdn Bhd (RPI) and 80 percent–owned subsidiary Ranhill Powertron II Sdn Bhd (RPII), we operate and maintain two 190 MW Combined Cycle Gas Turbine (CCGT) power plants in Kota Kinabalu Industrial Park in Sabah, Malaysia. Frost & Sullivan estimates this aggregate 380 MW capacity represents 37.4 percent of the combined licensed capacity (excluding renewables) of all IPPs in Sabah as at November 2015, making us one of the largest IPPs in Sabah in 2015.


Interior view of Power Plant heat recovery steam generators


Engineers and technicians carrying out maintenance works on the steam turbine

By leveraging our engineering expertise, we increased the efficiency of the RPI power plant by converting its mode of operation from open-cycle to combined-cycle, thereby expanding the power generating capacity of the RPI power plant from 120 MW to 190 MW. As a result of this successful conversion that was completed in October 2008, the concession for the RPI power plant which was due to expire in August 2019, was extended to October 2029.

RPI was initially formed as a 120 MW Open-Cycle Gas Turbine (OCGT) power plant. The RPI power plant commenced initial operations in August 1998 and its Commercial Operation Date (COD) as a 120 MW OCGT power plant was February 1999. The RPI power plant was subsequently converted to its current 190 MW combined-cycle configuration, and the COD of the power plant in this configuration was 25 October 2008. On the other hand, the RPII power plant's initial COD in a single gas turbine open-cycle 65 MW configuration was 6 March 2010, its COD as a two gas turbine 130 MW open-cycle facility was 9 July 2010 and its COD as a 190 MW combined-cycle configuration was 22 April 2011.

The RPI power plant comprises four (4) units of 30 MW GE Frame6B gas turbine turbogenerators, four (4) units of vertical-type heat recovery steam generators and two (2) units of 35 MW MHI steam turbine turbogenerators. The gas turbines use the Frame 6B technology model supplied by General Electric Company, and the heat recovery steam generators and steam turbines were manufactured by Mitsubishi Heavy Industries Ltd. The RPI power plant uses a 2-block configuration, with each block consisting of two (2) 30 MW gas turbines, two (2) heat recovery steam generators and one (1) 35 MW steam turbine. Whereas, the RPII power plant comprises two (2) units of 65 MW GE 6FA. 03 series gas turbine turbogenerators, two (2) units of horizontal-type heat recovery steam generators and one (1) 60 MW steam turbogenerator. The gas turbine generators use the FA class technology model supplied by General Electric Company while the heat recovery steam generators were manufactured by Hangzhou Boilers Company and the steam generator was manufactured by the Harbin Turbine Company Limited (China). The RPII power plant uses a single block configuration.

We conduct routine maintenance on both the RPI and RPII power plants through our own subsidiaries. We own a 60 percent equity interest in both RPI and Ranhill Power O&M Sdn Bhd (RPOM). RPOM provides O&M services to the RPI power plant. We also own 80 percent equity interest in RPII, with Ranhill Power O&M II Sdn Bhd (RPOMII) providing O&M services to the RPII power plant. The remaining equity interests in RPI, RPII, RPOM and RPOMII are owned by Sabah Energy Corporation Sdn Bhd (SECSB). For scheduled maintenance throughout the tenures of our Power Purchase Agreements (PPAs), we have entered into contractual service agreements with GE Energy Parts, Inc. and GE Power Systems (Malaysia) Sdn Bhd.

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

## Moving Forward

Ranhill Power takes pride in its contribution to Sabah and will continue to explore other power projects in Sabah and overseas. We have set our vision to achieve 1,000 MW by the year 2020. Achieving this goal will be a challenge, but with our capabilities and track records, Ranhill will be up to the task.

We further aim to secure power generation projects through unsolicited bids which generally give us higher returns. Unsolicited bid requisitions allow us to conduct direct negotiation with the counterparty, and in view of this, returns for these projects are typically higher as compared to projects that are secured through open tender. We will also seek to expand our power business, placing emphasis on power plants with generating capacities not exceeding 1,000 MW. We intend to explore power business opportunities in Asia and to continue to optimise the operations of RPI and RPII.

In addition, Ranhill Power and its subsidiaries will continue to keep abreast of new maintenance technology programmes and sustain competitiveness.

# CORPORATE SUSTAINABILITY STATEMENT

Based on the Sustainability Reporting Guide issued by Bursa Malaysia, our Sustainability Statement covers the following areas deemed material to be disclosed during the year under review: Environment, Governance and Social.

## Preserving the Environment

As forecast by the IMF, the GDP in Asia will exceed that of the Group of Seven major industrial economies by 2030. The rapid economic development experienced by Asian countries is due to the high demand of industrial output where businesses are relying on low production costs to remain competitive.

While Asia is enjoying rapid economic growth, it also has to deal with deteriorating environmental quality due to the increased emission of $CO_2$ and pollutants discharged into bodies of water.

In our journey towards preserving the environment, we have made advancements in the following areas:

1. reducing Non-Revenue Water (NRW) in our water distribution network
2. reducing the environmental footprint of our facilities
3. increasing the recovery of wastewater through Circular Economy

Reducing NRW in our water distribution network

The global volume of NRW or water losses is staggering. Each year, more than 32 billion $m^3$ of treated water is lost through leakage from distribution networks. A conservative estimate of the total annual cost to water utilities worldwide is USD14 billion.

In Malaysia, our national NRW average in 2014 stood at 35.6 percent which is equivalent to 2.1 billion cubic metres of treated water loss along distribution networks. This translated to RM2.6 billion losses in water operators' revenue.

Ranhill has always advocated better management of NRW and in Johor, where our subsidiary, SAJ Holdings Sdn Bhd (SAJ) is operating, we managed to reduce the NRW level from 27 percent in 2014 to 25.6 percent in 2015. Johor recorded the lowest NRW per kilometre of water pipe length in Malaysia, which currently stands at 0.02 MLD/KM.

In Pahang and Kelantan, where we are currently working on NRW management projects, we reduced the NRW level to an average of 7.8 percent in 2015.

We will be unceasing in our efforts to reduce the NRW level nationwide, in keeping with the Government's agenda of reducing NRW in the country to 25 percent by 2020.


SAJ team with YB Dato' Sri Dr. Hj. Wan Junaidi bin Tuanku Jaafar at MYCarbon Awards 2015 ceremony

Reducing the environmental footprint of our facilities

Our subsidiary SAJ serves 3.5 million people in Johor, the second most populous state in Malaysia. To serve a large number of end consumers, SAJ produces up to 1,986 million litres daily, requiring 44 water treatment plants, 644 water pumps, 86 booster stations and 2,266 employees, all of which consume energy in their operations.

SAJ began managing its environmental impact in 2011 by launching a comprehensive Carbon Footprint Assessment throughout its operations. These included water treatment plants, all pump houses and all offices in Johor. Based on the assessment, five initiatives were identified to reduce energy consumption, which directly contributed to lower $CO_2$ emission.

The five initiatives are:

1. increasing pump and motor efficiency in compliance with SAJ internal guidelines through constant monitoring and rectification
2. increasing energy efficiency through the Energy Management Programme launched in 2013. SAJ achieved MS ISO 50001:2001 certification in August 2015 at six of its premises i.e. five water treatment plants and at its Headquarters
3. adopting a holistic NRW Strategic Plan to reduce NRW which has direct impact on electricity consumption in the production of potable water
4. replacing water-cooled AC systems with air-cooled AC systems which use less equipment
5. using energy efficient lighting. To date, SAJ has replaced 2,121 units of conventional lighting to LED or power saving lighting at its Headquarters

In recognition of its environmental preservation initiatives, SAJ won second place in the MYCarbon Awards in 2015 given by the Ministry of Natural Resources and Environment Malaysia. Looking forward, SAJ aims to reduce emissions by 5 percent of every cubic meter of water produced by 2017.

## CORPORATE SUSTAINABILITY STATEMENT

Increasing the recovery of wastewater through Circular Economy

We firmly believe that the Linear Economic Model as practised by many businesses currently is no longer viable, given the increasing depletion of natural resources used for production. The Linear Economy Model of extracting, consuming and discarding or taking-making-disposing have put enormous stress on the environment. Adopting the alternative restorative and regenerative Circular Economy Model which focuses on protecting, improving and sustaining resources should be the norm and a priority.

Ranhill, via our subsidiary Ranhill Water Technologies (Cayman) Ltd. (RWT), has been actively involved in treating industrial wastewater in China and Thailand.

In China, we have a presence in four provinces, namely Liaoning, Henan, Anhui and Jiangxi with the capacity to treat 230 million litres per day (MLD) of industrial wastewater while in Thailand we have 45.5 MLD capacity. In addition to discharging treated wastewater into the natural environment, we have also extended our services to further reclaim treated wastewater before recycling it for industrial use. Our present combined capacity for reclaimed water services is 40 MLD; 30 MLD in China and 10 MLD in Thailand.

### Enhancing Governance across the Group

With diverse operations across Malaysia and in overseas markets, Ranhill has to maintain good Corporate Governance to instil confidence among its stakeholders. To this effect, our Group Human Capital conducted a series of workshops in 2015 to ensure all Ranhill employees comply with our various Policies and Procedures.

Among other areas, our employees have been trained for compliance in the following areas:

- Employees Competency and Career Development
- Competency-based Performance Management System
- Management of Under-performance
- Code of Conduct and Business Ethics
- Grievance Handling
- Business Continuity Management
- Fraud Risk Management
- Fraud and Whistleblowing

A dedicated Whisteblowing channel has also been set up to allow ease of reporting for both employees and external parties to lodge reports on any misconduct by employees.

Inspecting air saturation tube (AST) for Dissolve Air Floatation (DAF) Clarifier

## Contributing towards Social Wellbeing

Our Corporate Social Responsibility (CSR) initiatives are closely aligned with our core businesses. For the year under review, we carried out CSR activities in a number of states where we operate i.e. Kelantan, Pahang and Johor.

Flood relief in Kelantan and Pahang

In January 2015, a number of teams comprising Group employees departed to Kota Bharu, Kelantan and Kuala Lipis, Pahang with two lorries loaded with donated items on a 3-day post-flood relief mission.

To alleviate the hardship of those affected by the floods, the teams distributed the donated items. In addition, the teams also contributed their expertise by repairing water treatment plants affected by flooding in Kuala Krai, Kelantan while SAJ deployed six water tankers to assist Syarikat Air Kelantan to distribute clean water to flood victims.


Distributing clean water to the residents


Repairing water pipelines in the affected area

Water education in Johor

In May 2015, the Group participated in World Water Day 2015, an annual educational event organised by SAJ. Held in Muar, Johor, the activities included educating the public on how potable water is treated and the importance of reducing NRW.


Measuring water quality with schoolchildren

## Moving forward

The Group is revising its approach towards Sustainability for improvements. A more cohesive and structured approach is needed to ensure Sustainability is adopted by every subsidiary within the Group.

We will be scoping Ranhill's Sustainability agenda based on international standards and globally recognised guidelines. Among others, the Group is referencing FTSE4Good that promotes an effective and comprehensive Environment, Social and Governance framework, and the Global Reporting Index (GRI) in upgrading the quality of our Sustainability Reporting.

# CORPORATE GOVERNANCE STATEMENT

## CORPORATE GOVERNANCE COMMITMENT

In building a sustainable business, the Board of Directors of Ranhill Holdings Berhad (the Board) is mindful of its accountability to the shareholders and other stakeholders of the Company. This Statement of Corporate Governance demonstrates the Board's commitment to adopt and adhere with the corporate governance practices promoted by:

- Malaysian Code on Corporate Governance (MCCG 2012)
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR/BMSB)
- Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) by Bursa Malaysia Securities Berhad (CGG)

## BOARD EFFECTIVENESS

The Board and Board Committees were fully constituted on 1 December 2015 and that the Company has assumed its listing status with effect from 16 December 2015 following the completion of the reverse takeover of Symphony House Berhad.

### Composition and Size

The Board currently consists of nine (9) members with two (2) Executive Directors and seven (7) Non-Executive Directors, of whom five (5) are Independent Directors. The Independent Directors make up more than half of the Board, as recommended by the MCCG 2012, while their number exceeds the minimum as prescribed by the MMLR. These Directors are considered by the Board to be independent of Management and free of any business or other relationship or circumstance that could materially interfere with their exercise of objective, unfettered or independent judgement.

### Board Independence

A balanced composition of Independent Directors enables an effective and objective check and balance on the Board's deliberation and decision making. The presence of the Independent Directors are also crucial in the mitigation of any possible conflicts of interests in relation to related party transactions.

The Board recognises the importance of independent judgement and constructive debate on all matters under consideration. Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and who are willing to express their opinions at the Board meetings, free of concern about their position or the position of any third party. This mitigates the risks arising from conflicts of interest or undue influence from interested parties.

### Time Commitment

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out his duties and responsibilities as this plays an important role in the development of the Company's policy and oversight of the management of the Company. This time commitment of Board members will be communicated to new members of the Board upon their appointment.

In compliance to Paragraph 15.06 of the MMLR, each member of the Board must not hold more than five directorships in public listed companies to ensure that such appointments would not affect their time commitment and responsibilities to the Board. Prior to accepting of any new directorship, the Director should notify the Chairman on the new directorship.

### Diversity

As recommended by the MCCG 2012 concerning the establishment of boardroom and workforce gender diversity, the Board through NRC will work towards achieving the said target and shall ensure sufficient number of women candidates be included in the pool of candidates evaluated based on each candidate's competency, skills, expertise, experience and commitment as applied to the current Board members.

### Clear Roles and Responsibilities

The Board is mindful of the importance of establishing clear roles and responsibilities in discharging its fiduciary and leadership functions. In this regards, the Board has assumed the following responsibilities:

- Reviewing and adopting a strategic plan for the Company
- Overseeing the conduct of the Company's business affairs and financial performance
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures
- Succession planning

- Overseeing the development and implementation of a shareholder communications policy for the Company
- Reviewing the adequacy and integrity of the management information and internal control system of the Company
- Reviewing of quarterly results and year-end financial statements
- Establishing appropriate ethical, standards, code of conducts and appropriate behaviours and ensuring these are adhered to at all times.

**Separation of Position of Chairman and Chief Executive**

There is a clear division of responsibilities within the Company to ensure a balance of power and authority. The positions of Chairman and Chief Executive (CE) are separately held. The CE is a Non-Independent Executive Director, who manage the business and operations of the Company and implements the Board's strategies, policies and decision. The Chairman is primarily responsible for smooth functioning of the Board and ensuring that all Directors have full and timely access to all relevant information, which is necessary for decision making. The distinct and separate roles of the Chairman and CE, with their clear division of responsibilities, ensure a balance of power and authority, such that no one individuals has unfettered decision-making powers.

**Senior Independent Director**

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

**Board Charter**

The roles and responsibilities of the Board and Board Committees are stipulated in the respective Terms of Reference. These Terms of Reference will be documented in the Board Charter which sets out the principles and guidelines that are to be applied by the Board and the Board Committees. The Board Charter will be periodically reviewed as and when the need arises to keep it up to date with changes in regulations and best practices. The Board Charter will be accessible to the public for reference on the Company's official website at www.ranhill.com.my.

**Code of Conduct**

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

**Re-Election and Re-Appointment of Directors**

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

The Director due for re-election by rotation pursuant to Article 101 of the Company's AOA at the forthcoming Second Annual General Meeting (2nd AGM) is Tan Sri Azman Yahya.

The Company's Article 84 also states that any Directors appointed in the case of either to fill a casual vacancy or as an addition to the existing Directors since the last AGM shall be eligible for re-election at the forthcoming 2nd AGM. Therefore, Tan Sri Hamdan Mohamad, Mr Lim Hun Soon @ David Lim, Datuk Dr. Nik Norzrul Thani Nik Hassan Thani, Dato' Zulkifli Ibrahim, Encik Abu Talib Abdul Rahman and Encik Ritzlan Halim shall retire accordingly, and being eligible, will offer themselves for re-election.

The Nominating and Remuneration Committee (NRC) will not review the performance and contribution of the Directors seeking re-election as the current Board is newly constituted. The Board will recommend to the shareholders for their re-election into office.

None of the Directors of the Company has attained the age of 70 where he shall retire and offer himself for re-appointment pursuant to Section 129 of CA 1965.

### Access to Information and Advice

The agenda for each Board meeting, together with detailed reports and proposal papers to be tabled at the Board meeting, are circulated to the Directors for their review prior to any Board meeting. Individually, the Board members have direct access to the Management to request for additional or explanatory information on any Company matters.

From time to time, the relevant member of the management team is invited to attend meetings of the Board and its committees whenever the Board requires any information updates in its deliberations. The Board may also seek independent professional advice at the Company's expense in discharging its various duties in relation to the matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Board depending on the fees involved.

### Board Meetings

The Board shall meet at least four (4) times every financial year and as and when necessary, for any matters arising between regular Board meetings.

The Board shall have a formal schedule of matters reserved at Board meetings which includes corporate plans, annual budgets, operational and financial performance reviews, major investments and financial decisions, Management performance assessment, changes to the Management and control structures within the Group, including key policies and delegated authority limits. The respective Board Committee will present its reports and be discussed at Board meetings. All proceedings of Board meetings are to be duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretaries.

During the financial year, there were no Board meetings held.

### Continuing Development Programme

The Board is aware that continuous training for the Directors is vital to assist them in discharging their duties effectively. The Board encourages the Directors to attend appropriate external programmes on subject matters that aid the Directors in the discharge of their duties, at the Company's expense subject to the Directors' entitlement.

Although the Board is newly constituted, below are some of the training programmes attended by directors:-

- Malaysian Goods and Services Tax – An Overview for Directors and Alternative Energy Outlook for Malaysia and the Region
- World Capital Markets Symposium 2015
- Legal, Compliance & Risk Conference 2015 – Islamic Finance
- Seminar on Current Trends in Shareholders Activism and Predicting Financial Crime and Fraud
- Invitation to the IFCTF 2015: The Changing Regulatory Landscape
- Board's Strategic Leadership: Innovation & Growth in Uncertain Times
- Capital Market Directors Programme
- Economic and Financial Market Post Global Financial Crisis, Economic Outlook, Issues and Prospect & Addressing Concerns on TPPA

The Board will continuously evaluate and determine the training needs of the Directors to build their knowledge, thus ensuring they remain up to date with development of the business and industry that the Company operates in that affect their roles and responsibilities.

**Directors Remuneration Framework**

The Board with the assistance of the NRC will review the overall remuneration framework of the Directors to be structured to link rewards to corporate and individual performance as well as to attract, retain and motivate Directors to create sustainable value and returns for the Company and shareholders. The policy for Directors remuneration is to provide a competitive package that is able to attract and retain Directors of calibre, thus acquiring the leadership skills and experience required to run the Group effectively. The policy will also ensure that the remuneration package commensurate with the Director's responsibilities, expertise and complexity of the Company's current activities while being aligned with the Company's business strategy and long-term objectives for the effective management and operations of the Group, besides market competitiveness.

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 was reviewed by NRC and recommended to the Board for approval. It is then decided by the Board without the respective Executive Directors' participation in determining their remuneration. The details of the Directors remuneration received during the financial year are summarised below:-

| | **Fees** | **Salaries & Other Emoluments** | **Total** |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| Executive Director | – | 1,993 | 1,993 |
| Non-executive Director | 340 | – | 340 |
| | | | 2,333 |

The number of Directors whose total remuneration falls into the respective bands is as follows:

| | **Number of Directors** | |
|---|---|---|
| **Range of Remuneration (RM)** | **Executive** | **Non-executive** |
| 50,000 & below | | 2[2] + 5[3] |
| 50,001 – 75,000 | | 1 |
| 150,001 – 200,000 | | 1 |
| 250,001 – 200,000 | 1[1] | |
| 1,650,001 – 1,700,000 | 1 | |

[1] one (1) Executive Director who was appointed on 1 December 2015
[2] two (2) Non-executive Directors who had resigned during the year
[3] five (5) Non-executive Directors who were appointed on 1 December 2015

### Annual Assessment of Directors

As the current Board is newly constituted, the effectiveness of the Board and the Board Committees will only be effected for the FYE2016. The Board will put in place an assessment methodology to that effect.

### Assessment of Independent Directors

During the financial year under review, all of the Independent Directors had declared their independence in compliance with the MMLR. During the year, none of the Independent Directors had any interest or relationship that could reasonably be perceived to materially interfere with the independent exercise of their judgement. Materiality is assessed on a case-to-case basis by the Board and each Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interests in contracts and other directorships held. Therefore, based on their declarations and actions as Board members, the NRC is satisfied that the Independent Directors have complied with the independence criteria as prescribed by the MMLR and continue to bring independent and objective judgement to Board deliberations.

The MCCG 2012 recommended that the tenure of an independent Directors should be limited to a cumulative term of nine (9) years. After that tenure, the said Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to him/her being re-designated as a Non-Independent Director. In order to be in line with the recommendation of the MCCG 2012, NRC will review the policy on the tenure of the Independent Directors of the Company. At the moment, the Board is a newly constituted Board and this tenure limitation will be reviewed at the appropriate time.

### Tenure of Independent Director

Currently, none of the Independent Non-Executive Directors of Ranhill Holdings Berhad have served the Board for nine years. Hence, no shareholders' approval will be sought for this purpose at the forthcoming 2nd AGM.

### Shareholders and Investors Relations

The Board recognises shareholders as the ultimate owners of the Company and committed to establish and strengthen relationship between the Company and its shareholders. As such, AGM is the principal forum for dialogue or two-way communication with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in the Company, the resolutions being proposed and the business of the Company in general at the forthcoming general meeting of the Company. The notice of the AGM, are sent to shareholders at least twenty-one (21) days prior to the AGM in accordance with the MMLR and the Companies Act 1965 in order to enable shareholders to review the Company's financial and operational performance for the financial year and to fully evaluate new resolutions being proposed.

The general meeting serves as a crucial platform for the Board and Senior Management to engage with shareholders and encourage effective shareholder communication on the Company's performance, corporate and business developments and any other matters affecting shareholders' interests.

An AGM is held every year to consider ordinary business and any other special business of the Company whereby a full explanation on special business items will be provided in the notice of AGM to inform shareholders about the effects of the proposed resolutions arising from such items. The external auditors will be present at the AGM to answer shareholders' queries on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

The Board also encourages poll voting particularly on substantive resolutions. During the AGM, it is the practice of the Chairman to inform the shareholders of their right to demand for a poll vote at the commencement of the AGM or any other general meeting.

It has always been the Company's objective to consistently provide investors with timely and accurate information that would assist them in their evaluation and investment decision. Relationships with the investment community are nurtured based on integrity, qualitative information and active engagement whereas investors' confidence is built on the management's ability to perform and deliver effectively. This will assists the shareholders in evaluating the Company and facilitate the considered use of their votes.

**Company Secretaries**

The Company Secretaries advise the board on its duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with.

The Company Secretaries also facilitate the communication of decisions made at Board and Board Committees to the relevant Management for appropriate actions.

The Company Secretaries update and appraise the directors on a continuing basis on new and revised requirements to the Listing Requirements and the MCCG.

The appointment and removal of Companies Secretaries are subject to the approval of the Board.

**Disclosures**

The Board has adopted a Corporate Disclosure Policy in line with the MMLR to ensure comprehensive, detailed and timely information disseminated to its shareholders and investors. All material information are released to BMSB in a timely manner as required by MMLR and to the market and public generally through media releases, website and other appropriate channels. Each Division in the Company is required to inform the Company Secretary of any potential material information concerning the Company as soon as the information is available.

The Company is committed to ensure that shareholders and the markets are provided with full and timely information and that all shareholders have equal opportunities to receive externally available information issued by the Company. The Company employs a wide range of communication means with its shareholders but primarily through its website at www.ranhill.com.my which has a dedicated section on announcements released through BMSB.

**Sustainability**

The Board is committed in promoting sustainability practices in the Group and maintaining a good balance in relation to the environmental, social and governance aspects of the Group's businesses. A report of the Company's corporate responsibility initiative are set out in the Corporate Sustainability Statement in page 36 to 39 of this Annual Report.

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

The Board continues to address the concerns of stakeholders regarding the long term sustainable impact of the Group's business by outlining details as guided by the industry practice.

**Board Committees**

The Board has established the following four (4) Board Committees to assist the Board in discharging of its roles and responsibilities:

a) **Audit Committee**

The Audit Committee (AC) was set up on 1 December 2015 and its terms of reference is established in compliance with MMLR and MCCG 2012. Currently, it comprises three (3) Independent Non-executive Directors.

Details of its key functions, roles and responsibilities, composition and other relevant information and activities are set out in the AC Report.

b) **Nominating and Remuneration Committee**

The Board with the assistance of the NRC keeps the Board composition under review to ensure that it includes the necessary mix of relevant skills and experience required to perform its roles. NRC also assist the Board in assessing the Directors' fees, allowances and other benefits of the Board.

## CORPORATE GOVERNANCE STATEMENT

The NRC of the Company was established on 1 December 2015 and comprises three Non-Executive Directors of whom the majority are Independent Directors. In line with the MCCG 2012, the Chairman of NRC is Senior Independent Non-Executive Director. The members of the NRC are appointed by the Board from amongst themselves. The Members of NRC are as follows:-

i) Datuk Seri Saw Choo Boon (Chairman)
(Senior Independent Non-Executive Director)

ii) Tan Sri Azman Yahya (Member) (Chairman/
Non-Independent Non-Executive Director)

iii) Encik Abu Talib Abdul Rahman
(Member) (Independent Non-Executive Director)

In this regards, the Board and NRC has assumed the following roles and responsibilities:

Assessment and Appointment

i) Identify candidates for any directorship of the Board and its committees to be filled, taking into consideration the candidates' skill, knowledge, expertise and experience, professionalism, integrity and in the case of candidates for the position of independent non-executive directors, the candidates' ability to discharge such responsibilities/functions as expected of independent non-executive directors.

ii) Review annually:

- The required mix of skills, experience and competencies required of Board members including its structure, composition and the optimum size of the Board and its committees to best serve the Group and its businesses and operations as a whole; and
- The role and responsibilities of the Directors and assess the contributions of each individual Director and the effectiveness of the Group, as a whole.

iii) Determine the required skills and criteria of the chief executive or a person occupying such position by whatever name called, identify and recommend such suitable candidate to fill the position should a vacancy arises.

iv) Conduct rigorous review to determine whether a director can continue to be independent in character and judgement, and also to take into account the need for progressive refreshing of the Board.

v) Establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, the Chief Executive Officer, Company Secretaries of Ranhill and the Group's key management personnel.

Retirement and Re-election

Facilitate the re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's AOA having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

Succession Planning

Review plans for succession for the Executive Directors and for the Executive Vice Presidents (or such other persons whom the NRC view as key positions in senior management) and any matters relating to the continuation in office of such person at any time that falls within any prescribed law on service contracts.

Training and Development

i) Identify and recommend suitable induction, educational and training programmes to continuously train and better equip the existing and new Directors in discharging their duties.

ii) Review the human capital development (training) and management policies, including the terms and conditions of service contracts of the Group and the incentive schemes for the employees of the Group.

Remuneration and Benefit

i) Review the overall Group policy on all elements of remuneration and benefits packages such as salary, reward structure, compensation package (in the event of early termination) and other related terms of employment of the executive directors and senior management, and review the on-going appropriateness and relevance of such remuneration policy.

ii) Review the remuneration package for non-executive directors and Board committees to be aligned to their responsibilities and contributions.

iii) Ensure that the remuneration package is aligned with the business strategy and long term objectives of the Group.

Other Matters

i) Review and approve statement on the NRC activities at the end of the financial year that will be disclosed in the annual report pursuant to the Listing Requirements. The statement shall include:

- the policy on Board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet;
- the Board nomination and election process of directors and criteria used by nominating committee in the selection process; and
- the assessment undertaken by NRC in respect of its Board, committees and individual directors together with the criteria used for such assessment.

ii) Review and approve the statement on the training attended by its directors that will be disclosed in the annual report pursuant to the Listing Requirements. The statement shall include the following information:

- the Board has undertaken an assessment of training needs by each director;
- a brief description on the type of training that the directors have attended for the financial year; and
- in exception circumstances where any director has not attended any training during the financial year, valid justifications for non-attendance of such director.

**c) Governance and Risk Management Committee**

The Governance and Risk Management Committee (GRMC) was set up on 1 December 2015 and its terms of reference is established. Currently, it comprises three (3) Independent Non-Executive Directors and one (1) Executive Director. The members of GRMC are as follows:-

i) Datuk Seri Saw Choo Boon (Chairman)
(Senior Independent Non-Executive Director)

ii) Dato Sri Lim Haw Kuang (Member) (Executive Director)

iii) Datuk Dr. Nik Norzrul Thani Nik Hassan Thani
(Member) (Independent Non-Executive Director)

iv) Encik Abu Talib Abdul Rahman
(Member) (Independent Non-Executive Director)

In this regards, the Board and GRMC has assumed the following roles and responsibilities:

Governance Oversight

i) Periodically review and assess the adequacy of the Group's Corporate Governance Practices and Principles including the terms of reference for the Board and the Company's AOA and recommend the necessary enhancement and updates;

ii) Review the Corporate Governance Statement with reference to the MCCG or such other applicable best practices and measures adopted in the annual report for Board's approval with reasons for not complying with the MCCG and the alternative measures adopted by the Company;

iii) Review the mechanisms in engaging stakeholders as a means to monitor stakeholder relations in order to gauge and assess their input;

iv) Drive the Ethics Programme across the Group, including ensuring the implementation of the Code of Conduct and Business Ethics (CCBE) and Fraud Risk Management Programme are complied with;

v) Review and endorse the ethics programme for Board's approval and monitor progress of implementation. Assess its effectiveness and the ethical climate of the entire organisation, and recommend necessary changes to the Board;

vi) Review reports on violations of the CCBE, and report on fraud and whistleblowing; and

vii) Ensure all material matters that affect the Group are brought to the Board's attention in a timely manner to promote effective decision making by the Board.

Risk Strategy

i) Review the Group's Enterprise Risk Management (ERM) philosophy and strategy and to recommend to the Board for approval;

ii) Review the ERM policies, controls and systems of the Group in line with the approved risk management philosophy and strategy, and to recommend to the Board for approval;

iii) Formulate and propose to the Board the Risk Appetite and tolerance for the Company and its entities proposed by the management; and

iv) Maintain continued awareness of any changes in the Group's risk profile to ensure that the Group's business activities are in line with the overall ERM Risk Strategy.

Risk Organisation

i) Oversee the overall management of all risks covering the businesses, markets, reputation and operations;

ii) Ensure that there are clear and independent organisational reporting lines and responsibilities for the management of risk;

iii) Cultivate a proactive risk management culture within the Group so that risk management processes are applied in the day-to-day business and activities; and

iv) Conduct independent review of the Group's risk management infrastructure, capabilities, environment and processes whenever necessary.

Risk Management

i) Approve risk methodologies for measuring and managing risks arising from the Group's business and operational activities;

ii) Ensure that risk management processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place within the Group and are operating in an efficient and effective manner;

iii) Review Group risk profile and monitor management action plan to manage its critical and significant risks;

iv) Periodically (at least quarterly) review risk exposures of the Group in line with its risk strategy and objectives; and

v) Ensure the adequacy of tools, systems and resources for the successful management of risk within the Group.

Sustainability

i) Review and assess sustainable impacts of major business decisions and recommend appropriate actions required;

ii) Review and recommend to the Board the sustainability strategies and plans that will create long term shareholder value including the budget required in implementing sustainability initiatives;

iii) Advise the Board to adopt the Corporate Sustainability (CS) targets and innovative initiatives;

iv) Examine the annual assessment of Ranhill's environmental performance and progress, to consider and approve methods of measuring, assessing or validating the Group's Corporate Sustainability performance, and where appropriate, to commission an external independent assessment of the direct and indirect impact of any aspect of the Group's operations;

v) Assess the effectiveness of the Group policies and systems in identifying and managing the health, safety, environment and community risks that are material to the achievement of the Company objectives;

vi) Monitor and provide recommendations to our Board on public policy, consumer, stakeholder, corporate, and general public trends, issues, and developments that could impact the Group;

vii) Review business continuity management including emergency plans and crisis readiness. Review incidents within the scope of GRMC and assess the remedial actions; and

viii) Review and recommend the Sustainability Report to be incorporated in the Annual Report for Board approval.

**d) Strategy and Investment Committee**

The Strategy and Investment Committee (SIC) was set up on 1 December 2015 and its terms of reference is established. Currently, it comprises three (3) Non-Executive Directors and two (2) Executive Director. The members of SIC are as follows:-

i) Tan Sri Azman Yahya (Chairman)
(Chairman/Non-Independent Non-Executive Director)

ii) Tan Sri Hamdan Mohamad (Member)
(Executive Director/President and Chief Executive)

iii) Dato Sri Lim Haw Kuang (Member)
(Executive Director)

iv) Dato' Zulkifli Ibrahim (Member)
(Independent Non-Executive Director)

v) Mr Lim Hun Soon @ David Lim (Member)
(Independent Non-Executive Director)

In this regards, the Board and SIC has assumed the following roles and responsibilities:

<u>Strategic Plan</u>

i) Oversee the formulation of the strategic plan developed by management.

ii) Review and provide guidance to the Group's Strategic Plan proposed by management.

iii) Recommend for adoption by the Board, the Company and the Group's Strategic Plan.

iv) Monitor and review the implementation of the approved Strategic Plan and report its progress to the Board.

<u>Investment</u>

i) Determine and regularly review a clearly articulated investment policy for the Company. The policy shall specify asset allocation, investment and money management guidelines which provide reasonable assurance that the Company can meet its business and financial objectives with a balance between risk, return and cost.

ii) Review the overall investment strategies and guidelines of the Group which are consistent with the objective to enhance shareholders' value.

iii) Assess the viability of all project investments and divestments proposed to the Board for consideration. Project investments include Build, Operate and Tranfer (BOT) project, mergers and acquisitions, and concession/privatisation.

iv) Review the investments in accordance to the threshold triggered pursuant to the Ranhill Authorisation Manual (RAM).

v) Evaluate the Risk exposure of any business proposal to ascertain that it does not breach the Risk Appetite of the Group.

vi) Evaluate the terms of any business agreements entered into by the Company.

vii) Evaluate the terms of any form of funding (excluding project financing) which amount is greater than 30% of the Net Asset Value (NAV) based on latest available audited consolidated financial statements, proposed to the Board for consideration.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board and AC are responsible for ensuring that financial statements are drawn up in accordance with the CA 1965, the MMLR, applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, to present a true and fair assessment of the Company's position and prospects. Interim financial statements were reviewed by the AC and approved by the Board prior to release to BMSB.

### Relationship with External Auditor

The Board maintains a transparent and professional relationship with the External Auditors and the AC makes recommendations to the Board in relation to the appointment or removal of the External Auditors, the approval of their remuneration and the terms of their engagement. The roles of AC in relation to its relationship with the External Auditors is set out in page 57 of this Annual Report. External Auditors play a vital role in the process of accountability for shareholders. Their primary roles is to form an opinion on the financial statements of the Company, including accounting and other records relating to those financial statements and thereafter report to the shareholders at the general meeting. In compliance with the MMLR, the External Auditors has reviewed the statement made by the Board with regards to the state of risk management and internal control system.

### Risk Management and Internal Control

Recognising the importance of a sound risk management framework to manage the Company's risks as a whole, the Board is assisted by the GRMC. The GRMC reports directly to the Board to enable it to develop the Company's risk framework.

### Internal Audit Function

In compliance with the MMLR, the Company has established an internal audit function that reports directly to the AC. Internal Audit is independent of both business management and of the activities under its review and responsible for providing assurance that the design and operation of the Company's risk management and internal control system is effective. Information on internal control system of the Company is detailed in the Statement on Risk Management and Internal Control on page 59 to 61.

# ADDITIONAL COMPLIANCE INFORMATION

## ADDITIONAL COMPLIANCE INFORMATION

### Utilisation of Proceeds

During the financial year ended 31 December 2015 there we no proceeds raised from any corporate proposal.

### Share Buy-back

During the financial year ended 31 December 2015, there were no share buy-backs undertaken by the Company.

### Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised by the Company during the financial year ended 31 December 2015.

### American Depositary Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2015.

### Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015.

### Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Company for the financial year ended 31 December 2015 amounted to RM1,285,780.

### Variation in Results for the Financial Year

There was no material variation of the announced unaudited and the audited financial statements for the financial year ended 31 December 2015.

### Profit Guarantee

There were no profit guarantees given by the Company during the financial year ended 31 December 2015.

# ADDITIONAL COMPLIANCE INFORMATION

## Material Contracts/Loan Involving Directors/Major Shareholders' Interests

Ranhill Corporation Sdn Bhd (RCorp) had via its letters dated 26 and 30 May 2014 agreed to make available an interest free loan facility of RM20 million to Ranhill Water Technologies (Cayman) Ltd (RWT), which is still subsisting at the end of the financial year ended 31 December 2015. RWT is a company in the group which is 52% owned by Ranhill Capital Sdn Bhd which in turn is wholly-owned by the Company. RCorp is a company which is wholly-owned by Hamdan Inc. (Labuan) Pte Ltd which in turn is wholly-owned by the Hamdan (L) Foundation. Tan Sri Hamdan Mohamad, our Director and major shareholder is the sole beneficiary of the Hamdan (L) Foundation. Details of the loan facility are as follows:-

| | | |
|---|---|---|
| Purpose | : | For investment in the China projects |
| Interest rate | : | Nil |
| Security | : | Nil |
| Repayment | : | Upon and from the proceeds of the listing of Ranhill Holdings Berhad or such relevant entity that will be listed pursuant to the reverse-take-over (RTO) of Symphony House Bhd and public issuance of new shares by the listed vehicle resulting from RTO. In view of the lower proceeds received from our Offering, the parties are in discussion to re-visit the repayment terms. |

Save as above and that disclosed in the Circular to Shareholders dated 3 May 2016, there were no other material contracts/ loans entered into by the Company or its subsidiaries involving Directors' and/or major shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

# AUDIT COMMITTEE REPORT

as at 31 December 2015

The Board of Directors (Board) of Ranhill Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

## Terms of Reference

The Terms of Reference of the Audit Committee (AC) is prepared and adopted by the Board based on Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and Malaysian Code of Corporate Governance 2012. All the requirements under the terms of reference are fully complied with.

## Composition

The Audit Committee (AC) was established and constituted by the Board on 1 December 2015. The members of the AC comprised the following Directors:

| Name | Designation | Directorship |
|---|---|---|
| Lim Hun Soon @ David Lim | Chairman | Independent Non-Executive Director |
| Datuk Dr. Nik Norzrul Thani Nik Hassan Thani | Member | Independent Non-Executive Director |
| Abu Talib Abdul Rahman | Member | Independent Non-Executive Director |

The composition of the AC members is in line with paragraph 15.09 of the MMLR.

## Meetings

The first AC meeting was conducted on 18 February 2016 and all AC members were present during the meeting. The meeting was appropriately structured through the use of agenda, which was distributed to members with sufficient notification.

The President and Chief Executive (PCE), the Chief Operating Officer, the Chief Financial Officer, the Head of Group Corporate Assurance (HGCAD), the relevant operating Heads of Division/Department and representatives of the external auditors were invited to attend the meeting. The Company Secretary acts as the secretary to the AC meeting.

## Summary of Activities

During the first AC meeting, the following activities were carried out:

### a) External Audit

1. Reviewed the external auditors' scope of work and audit plans for the financial year. The representatives from the external auditors presented their audit strategy and plan.
2. Discussed with the external auditors without the presence of Management on matters deemed relevant in discharging the Board's duties and functions.
3. Assessed and recommended to the Board for approval of the audit fees payable to external auditors.

## AUDIT COMMITTEE REPORT

As at 31 December 2015

**b) Internal Audit**

Reviewed and approved the internal audit plan, budget and staffing requirements of the Group Corporate Assurance Division (GCAD) to effectively discharge its auditing function on the Group.

**c) Financial Reporting**

Reviewed the quarterly financial results prior to the approval by the Board, to ensure compliance with MMLR and the applicable financial reporting standards as well as other relevant legal and regulatory requirements.

**d) Related Party Transactions**

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

### Group Corporate Assurance Division

The review on the system of internal controls is undertaken by the GCAD whose head reports directly to the AC. The principal role of the division is to undertake independent, regular and systematic reviews of the internal control, risk management and governance processes within the Group so as to provide reasonable assurance that such process continue to operate satisfactorily and effectively.

Prior to the establishment of AC, GCAD was functioning independently and administratively reports to PCE. During the financial year ended 31 December 2015, all internal audit activities were performed internally. The total cost incurred in managing the internal audit function in the financial year 31 December 2015 was approximately RM1.1 million.

# TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee (AC) is a committee of the Board of Ranhill Holdings Berhad (the Company). The authority, functions, responsibilities and duties of AC are extended to all its subsidiary companies (the Group). The Audit Committee (AC) was established and constituted by the Board on 1 December 2015.

## Primary Functions

The primary functions of the AC are to assist the Board in:

a) fulfilling its statutory and fiduciary responsibilities of monitoring the Group's operational and financial performance;

b) reviewing the quality of the Group's business processes, the quality of the accounting function, financial reporting, and the system of internal controls;

c) enhancing the independence of the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board; and

d) ensuring an effective Ethics Programme is implemented, and monitor compliance with established policies and procedures.

## Composition

a) The AC shall consist at least three (3) Board members, of whom all must be non-executive directors, with a majority of them being independent directors.

b) The Chairman of AC shall be an Independent Non-Executive Director.

c) No alternate director shall be appointed as a member of AC.

d) At least one member of AC shall be a member of the Malaysian Institute of Accountants or shall fulfil such other requirements as prescribed in the Listing Requirements.

e) All members of AC shall be financially literate and have the ability to read, understand and analyse financial statements, understand and interpret the application of approved accounting standards.

f) If a member of AC resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event, appoint such number of new member as may be required to fill the vacancy.

g) Reappointment of AC members shall be subjected to a performance review of the AC and each member by the Board.

h) A director's tenure on AC shall be limited for a period of three years. However, a director could continue to serve as an AC member if the Board, upon an assessment at the end of the tenure is satisfied with the director's performance on the committee and the director continues to meet the criteria for membership of the AC.

## Meetings

a) Frequency

The AC shall meet at least four times annually or more frequently as considered necessary by the Chairman of AC.

b) Quorum

i. Quorum for the meeting shall be two (2) members; both of whom shall be Independent Non-Executive Directors including the Chairman. In absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

ii. The Head of Group Corporate Assurance Division (HGCAD) shall be a permanent invitee unless otherwise decided by the Chairman. The President and Chief Executive (PCE), Group Chief Operating Officer (GCOO) and Group Chief Financial Officer (GCFO) shall normally be invited to attend the meetings. Other members of the Board, Business Heads and any employee may be invited to the meetings where necessary.

iii. At least once a year, the AC shall meet with the external and internal auditors without the presence of any executive board member and senior management.

c) Conduct of meetings

i. The notice and agenda of meetings shall be circulated at least 1 week before each meeting. The meeting agenda shall be the responsibility of the Chairman with input from the members.

ii. All resolutions of the AC shall be adopted by a simple majority vote. In case of a tie, the Chairman shall have a second or casting vote.

iii. The minutes of the meeting shall record the deliberations, decisions and agreed actions of the AC. Copies of the draft minutes shall be distributed to AC members within a week from the meeting and finalised within 3 weeks. Minutes of the meetings shall be duly entered in the books provided, and be circulated to members of the AC and Board, HGCAD, GCOO, GCFO, and other relevant senior management members.

iv. A meeting shall normally be conducted face-to-face, however, meetings may also be conducted via teleconferencing or video conferencing as determined by the AC.

v. The Company Secretaries shall be appointed Secretaries of the AC.

## Authority

The AC is authorised by the Board to:

a) review and investigate any matter within its terms of reference;

b) have adequate resources to perform its duties;

c) have full and unrestricted access to any information pertaining to the Group;

d) have direct communication channels with external auditors and all employees of the Group; and

e) obtain independent professional or other advice, if required.

## Responsibilities

a) Oversight of Financial Reporting

i. Review quarterly and annual financial statements with management and internal auditors, prior to approval by the Board, focusing on any change in accounting policies and practices and its implementation, significant adjustments arising from the audit, going concern assumptions, significant and unusual events, significant matters highlighted in the financial statements, significant judgements made by the management, and compliance with accounting standards and regulatory requirements. The review by the external auditors of the quarterly statements would be on a case to case basis, when necessary;

ii. Review audited financial statements with the external auditors, prior to approval by the Board, on whether there is any:

- Qualification in the auditor's report which must be discussed and acted upon;

- Significant change and adjustment to the presentation of financial statements;
- Non-compliance with laws and accounting standards;
- Material fluctuation in balances;
- Significant variation in audit scope and approach; and
- Significant commitment or contingent liability.

iii. Discuss problems and issues arising from the audits, and any matter the external and/or internal auditors and/or Head of Group Corporate Assurance Division (HGCAD) may wish to discuss in the absence of Management, where necessary; and

iv. Provide the Board with assurance on the quality and reliability of financial information used by the Board and of the financial information issued publicly by the Group.

b) Oversight of Assurance, Compliance and Controls Environment

i. Oversee the internal controls framework to ensure operational effectiveness and adequate protection of the Group's assets;

ii. Review, challenge and approve the Internal Audit Charter, Internal Audit Annual Budget, audit and compliance plans, risk assessment and audit methodology and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;

iii. Review internal audits and compliance reports, discuss major findings and deficiencies in internal controls and Management response and ensure agreed actions are taken timely;

iv. Approve the appointment or termination of the HGCAD and assess his/her performance;

v. Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information;

vi. Appraise or assess the internal audit function and competency; and

vii. To take cognizance of the resignation and termination of senior management in the Group Corporate Assurance Division and provide the resigning and terminated staff, an opportunity to submit his/her reasons for resigning.

c) Dealings with External Auditors

i. Review and recommend to the Board, the appointment and any resignation or dismissal of the external auditors, and the audit fee;

ii. Discuss with the external auditors the nature and scope of the audit, the audit plan, evaluation of the system of internal controls, effectiveness of management information system, and the audit reports;

iii. Convene a meeting upon request of the external auditors to consider any matter the external auditors believe shall be brought to the attention of the directors or shareholders; and

iv. Monitor the extent of non-audit work to be performed by the external auditors.

d) Related Party Transactions

i. Review related party transactions to ensure that they are in the best interest of the Group, fair, reasonable, at arm's length and undertaken on the Group's normal commercial terms, and not detrimental to the interests of the minority shareholders; and

ii. Ensure internal control procedures with regard to such transactions are sufficient and review any conflict of interest situations.

## TERMS OF REFERENCE OF AUDIT COMMITTEE

e) Other Matters

i. Prepare a report on the AC at the end of the financial year for inclusion in the Annual Report pursuant to the Listing Requirements. The report shall include:

- the composition of the AC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
- the number of AC meetings held during the financial year and details of attendance of each AC member;
- a summary of the work of the AC in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
- a summary of the work of the internal audit function.

ii. Review and recommend to the Board the statement to be incorporated in the Annual Report on Director's responsibility in preparing the annual audited financial statements;

iii. Review with the external auditor and propose to the Board the Statement on Risk Management and Internal Control to be incorporated in the Annual Report;

iv. Ensure that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies; and

v. Undertake any such other function as may be determined by the Board from time to time.

### Reporting

The Chairman of AC shall:

a) formally report to the Board on its proceedings, whereby the approved minutes of AC meetings shall be tabled to the Board for notation;

b) attend the Annual General Meeting, prepared to respond to any question from the shareholders on the AC's activities; and

c) promptly report to Bursa Malaysia Securities Berhad, if the AC views that a matter resulting in the breach of Bursa Malaysia Securities Berhad Listing Requirements reported by AC to the Board has not been satisfactory resolved by the Board.

### Performance

The reviews on terms of office and performance of the AC and each of its members shall be evaluated by Nominating and Remuneration Committee on annual basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Ranhill Holdings Berhad (Ranhill) was successfully listed on Bursa Malaysia after completing the reverse takeover of Symphony House Berhad on 15 December 2015. Prior to the reverse takeover, all business activities of Ranhill's group of companies were under Ranhill Energy and Resources Sdn. Bhd. (RERSB) group of companies. The operation and business activities of RERSB's group are governed and guided by approved policies and procedures, where upon listing, the same policies and procedures were adopted by Ranhill.

This Statement is prepared pursuant to the requirement under Paragraph 15.26(b) of the Main Market Listing Requirement and Malaysian Code of Corporate Governance 2012 (MCCG) and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer.

## Responsibility and Accountability

The Board acknowledges its overall responsibility for establishing and maintaining a sound risk management framework and internal control system as well as reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investment, Group assets and other stakeholders' interests. The system of internal control covers governance, risk management, financial, strategy, investment, operational, regulatory and compliance matters.

The Board recognises that the system is designed to manage, rather than eliminate the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Whilst the Board is ultimately responsible for the system, it has delegated the implementation of this system to the Management who will regularly report on risks identified and actions or steps taken to mitigate and/or minimise the risks. The oversight of this critical area will be carried out by the two (2) board committees, namely the Audit Committee (AC) and Governance and Risk Management Committee (GRMC) which have been established on 1 December 2015.

## Risk Management

The Group has in place an Enterprise Risk Management (ERM) framework based on the ISO 31000 Risk Management – Principles and Guidelines for managing the risks affecting the Group businesses and operations.

3 Lines of Defence Concept

| | |
|---|---|
| **1st line Business Unit** | • Involved in day-to-day risk management<br>• Follow a risk process<br>• Apply internal controls and risk responses |
| **2nd line Risk and Compliance** | • Oversee and challenge risk management<br>• Provide guidance and direction<br>• Develop risk management framework |
| **3rd line Audit** | • Review 1st and 2nd lines<br>• Provide an independent perspective and challenge the process<br>• Objective and offer assurance |

Under this model there is a clear segregation of duties to ensure that every one in Ranhill know their role and can act quickly when required. There are clear boundaries in ensuring consistency in the management of risk faced by the Group as described below:

a) Business Unit is the first line of defence in risk management and are accountable for all risk assumed under their respective areas of responsibility in line with the Risk Management Policy and Procedures. They are also responsible for implementing corrective actions to address process and control deficiencies.

b) The set-up of Risk Management Working Committee (RMWC) and Risk Management Department with oversight by Governance and Risk Management Committee (GRMC) provides second level of defence. The GRMC will assess and review the effectiveness of controls and progress of action plans taken to mitigate and monitor the risk exposure of the Group. The GRMC will also be responsible to monitor the progress and status of ERM activities and raise any issues of concern for management attention.

   On a half yearly basis or more frequently as necessary, the Chief Executive Officer of the company and the respective subsidiaries will be required to report to the GRMC on the significant status of risks impacting the subsidiaries and the Group.

c) The third line of defence is provided by Group Corporate Assurance Division (GCAD). The GCAD reports directly to Audit Committee and provides an independent assurance on the adequacy and reliability of risk management processes and system of internal control.

To this end, we are in the midst of upgrading our risk management system with the latest software version with new and enhanced functionalities.

## Control Environment

In maintaining and implementing a strong control environment within the Group, the Board has taken the following initiatives:

- Establishing two more board committees namely, the Strategic and Investment Committee (SIC), and Nomination and Remuneration Committee (NRC) on 1 December 2015. These committees are responsible to monitor and ensure that the operational activities under their purview are conducted and managed within a structured environment.
- Enhancing and developing a number of key policies and procedures which embed internal control elements in daily operations, among others are:

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

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

  (iii) Risk Management
  Risk Management Policy and Procedures facilitates the decision making process by managing risks and controls. A Risk Appetite Policy is also being developed.

  (iv) 3rd Party Dealing
  This policy was issued to ensure that all transactions entered by each Group Company with 3rd party are guided by principles of integrity, honesty and ethical. A risk assessment is conducted for any business proposal entered into by Ranhill Group.

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

  (vi) Fraud & Whistleblowing
  This policy addresses the commitment of Ranhill to integrity and ethical behaviour and it provides an avenue for the employees and the general public to disclose any improper conduct within the Group without fear and favour to the Suspect's length of service, position or relationship with Ranhill. To this end, a Fraud Risk Management Programme has been developed.

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

  (viii) Succession Planning
  Implementation of this policy and procedures helps the Group in identifying and planning the suitable development programmes for potential candidates for future filling of key positions.

  (ix) Corporate Disclosure
  This policy provides guidance and structure in disseminating corporate information to regulatory bodies, and dealing with the shareholders, stakeholders, media representative, analysts and the investing public.

- Enhancing the authority limits for all aspects of the business as to provide a documented and auditable trail of accountability.

These initiatives will ensure that a robust system of internal control is adequate and in place.

## Internal Audit

The audit function of the Group is conducted by GCAD that reports functionally to AC and administratively to the President and Chief Executive (PCE). The main roles and responsibilities of GCAD are to provide independent objective assurance and consulting services designed to add value and to improve the business and work processes of the Group. Internal audits are performed for the Group's corporate support functions, subsidiaries and joint-venture business entities.

The GRMC and AC which are assisted by the GCAD, will provide the Board with the assurance it requires on the adequacy and integrity of the system of risk management and internal control.

## Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

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

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

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

## Review of this Statement by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide (RPG) 5 (Revised), Guide for Auditors on Engagements to Report on the Statements on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the year ended 31 December 2015, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

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

This Statement is made in accordance with the resolution given by the Board of Director on 25 April 2016.

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## statements


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# DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## Principal activity

The principal activity of the Company is that of an investment holding.

The principal activity of the subsidiaries and a joint venture are set out in Note 18 and Note 19 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/(loss) for the year | 51,295 | (58,859) |
| Profit/(loss) attributable to: | | |
| Owners of the parent | 22,345 | (58,859) |
| Non-controlling interests | 28,950 | – |
| | 51,295 | (58,859) |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the cost of assuming listing status of Symphony House Berhad and reverse takeover expenses of RM45,592,000 and RM9,918,000 respectively as discussed in Note 44.

## Dividend

No dividend has been paid or declared by the Company during the financial year.

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

## Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|---|---|
| Tan Sri Mohamed Azman Bin Yahya | |
| Dato' Sri Lim Haw Kuang | |
| Datuk Seri Saw Choo Boon | |
| Tan Sri Hamdan Mohamad | (Appointed on 1 December 2015) |
| Lim Hun Soon @ David Lim | (Appointed on 1 December 2015) |
| Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani | (Appointed on 1 December 2015) |
| Dato' Zulkifli Bin Ibrahim | (Appointed on 1 December 2015) |
| Abu Talib Bin Abdul Rahman | (Appointed on 1 December 2015) |
| Ritzlan Halim | (Appointed on 1 December 2015) |
| Zuriati Binti Yaacob | (Resigned on 1 December 2015) |
| Umar Abdul Aziz Bin Abdul Latif | (Resigned on 1 December 2015) |

## Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or its related corporations as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

## Directors' interest

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

| | Number of ordinary shares RM1 each | | | |
|---|---|---|---|---|
| | **Balances as at 1.1.2015** | **Acquired** | **Sold** | **Balances as at 31.12.2015** |
| **The Company** | | | | |
| **Direct interest:** | | | | |
| Tan Sri Mohamed Azman Bin Yahya | 1,100,000 | – | – | 1,100,000 |
| **Deemed interest:** | | | | |
| Tan Sri Mohamed Azman Bin Yahya | 23,455,381 (1) | – | – | 23,455,381 (1) |
| Tan Sri Hamdan Mohamad | 297,610,098 (2) | – | – | 297,610,098 (2) |

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

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

## Directors' interest (Cont'd.)

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

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

## Issue of shares

### Authorised share capital

On 11 November 2015, the Company increased its authorised share capital from 400,000 ordinary shares of RM1.00 each to 2,000,000,000 ordinary shares of RM1.00 each by the creation of 1,999,600,000 new ordinary shares of RM1.00 each.

### Issued and paid-up share capital

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM2 to RM565,994,967 by way of issuance of 565,994,965 ordinary shares of RM1.00 each at an issue price of RM1.60 per share as part of the consideration for the reverse takeover acquisition of Symphony House Berhad as disclosed in Note 44 to the financial statements.

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

## Other statutory information

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

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

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

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

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

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

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

## Other statutory information (Cont'd.)

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

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

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

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

(f) In the opinion of the directors:

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

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

## Significant events

Details of significant events are disclosed in Note 44 to the financial statements.

## Subsequent events

Details of subsequent events are disclosed in Note 45 to the financial statements.

## Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2016.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Mohamed Azman bin Yahya and Tan Sri Hamdan Mohamad, being two of the directors of Ranhill Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 71 to 165 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 48 to the financial statements on page 166 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2016.

Tan Sri Mohamed Azman Bin Yahya

Tan Sri Hamdan Mohamad

# STATUTORY DECLARATION

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

I, Koh Boon Sian, being the officer primarily responsible for the financial management of Ranhill Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 71 to 166 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Koh Boon Sian at Kuala Lumpur in the Federal Territory on 25 April 2016.

Koh Boon Sian

Before me,

PESURUHJAYA SUMPAH
W 602
HAJI ABDUL AZIZNI
BIN ABU BAKAR
MALAYSIA

Level 16, Menara Tokio Mariné Life,
189, Jalan Tun Razak, 50400 Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

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

## Report on the financial statements

We have audited the financial statements of Ranhill Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 71 to 165.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

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

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

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

### Other reporting responsibilities

The supplementary information set out in Note 48 on page 166 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other matters

(a) Without qualifying our report, we draw attention to Note 46 to the financial statements which states that the Group's comparatives have not been audited.

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
25 April 2016

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

| | Note | Group 1.1.2015 to 31.12.2015 RM'000 | Group 1.1.2014 to 31.12.2014 RM'000 | Company 1.1.2015 to 31.12.2015 RM'000 | Company 28.4.2014 to 31.12.2014 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 4 | **1,315,121** | 1,294,342 | **–** | – |
| Cost of sales | 5 | **(967,134)** | (949,396) | **–** | – |
| **Gross profit** | | **347,987** | 344,946 | **–** | – |
| **Other items of income** | | | | | |
| Interest income | 6 | **61,904** | 62,987 | **26** | – |
| Other income | 7 | **7,296** | 6,394 | **–** | – |
| **Other items of expense** | | | | | |
| Administrative expenses | | **(226,383)** | (154,336) | **(58,885)** | (7,310) |
| Other operating expenses | | **(1,347)** | (2,536) | **–** | – |
| Tendering and marketing expenses | | **(1,749)** | (1,323) | **–** | – |
| Finance costs | 8 | **(99,454)** | (77,869) | **–** | – |
| Zakat | | **(1,619)** | (4,874) | **–** | – |
| Share of profit of a joint venture | | **16,474** | 9,088 | **–** | – |
| **Profit/(loss) before tax** | 9 | **103,109** | 182,477 | **(58,859)** | (7,310) |
| Income tax expense | 12 | **(51,814)** | (55,367) | **–** | – |
| **Profit/(loss) net of tax** | | **51,295** | 127,110 | **(58,859)** | (7,310) |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | | | | |
| Foreign currency translation, representing total other comprehensive income for the year, net of tax | | **18,120** | 6,127 | **–** | – |
| **Total comprehensive income for the year/period** | | **69,415** | 133,237 | **(58,859)** | (7,310) |
| **Profit/(loss) net of tax attributable to:** | | | | | |
| Owners of the parent | | **22,345** | 90,783 | **(58,859)** | (7,310) |
| Non-controlling interests | | **28,950** | 36,327 | **–** | – |
| | | **51,295** | 127,110 | **(58,859)** | (7,310) |

## STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 1.1.2015 to 31.12.2015 RM'000 | 1.1.2014 to 31.12.2014 RM'000 | 1.1.2015 to 31.12.2015 RM'000 | 28.4.2014 to 31.12.2014 RM'000 |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the parent | **40,465** | 96,910 | **(58,859)** | (7,310) |
| Non-controlling interests | **28,950** | 36,327 | **–** | – |
| | **69,415** | 133,237 | **(58,859)** | (7,310) |

| | | Group | |
|---|---|---|---|
| | Note | 1.1.2015 to 31.12.2015 | 1.1.2014 to 31.12.2014 |
| Earnings per share attributable to owners of the parent<br>- Basic and diluted, for the year (cents) | 43 | **4** | 16 |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **31.12.2015 RM'000** | **31.12.2014 RM'000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **576,324** | 580,717 | **–** | – |
| Service concession assets | 14 | **600,062** | – | **–** | – |
| Intangibles | 15 | **297,338** | 299,641 | **–** | – |
| Finance lease receivables | 16 | **593,618** | 631,700 | **–** | – |
| Deferred tax assets | 17 | **252,470** | 286,855 | **–** | – |
| Investment in a subsidiary | 18 | **–** | – | **800,000** | –* |
| Investment in a joint venture | 19 | **157,702** | 123,154 | **–** | – |
| Trade and other receivables | 20 | **72,855** | 74,731 | **–** | – |
| | | **2,550,369** | 1,996,798 | **800,000** | – |
| **Current assets** | | | | | |
| Finance lease receivables | 16 | **38,082** | 35,338 | **–** | – |
| Trade and other receivables | 20 | **333,680** | 242,214 | **22,684** | **4,394** |
| Inventories | 21 | **74,995** | 73,621 | **–** | – |
| Tax recoverable | | **2,198** | 1,268 | **–** | – |
| Other current assets | 22 | **24,378** | 16,479 | **–** | – |
| Other financial assets | 24 | **18,942** | 25,830 | **–** | – |
| Deposits, cash and bank balances | 25 | **550,872** | 470,705 | **29,519** | – |
| | | **1,043,147** | 865,455 | **52,203** | 4,394 |
| **Total assets** | | **3,593,516** | 2,862,253 | **852,203** | 4,394 |
| **Current liabilities** | | | | | |
| Retirement benefit obligations | 26 | **7,969** | 8,176 | **–** | – |
| Finance lease payables | 27 | **1,273** | 1,183 | **–** | – |
| Short term borrowings | 28 | **833,111** | 83,870 | **–** | – |
| Zakat | 29 | **8,942** | 7,942 | **–** | – |
| Trade and other payables | 30 | **529,745** | 519,232 | **12,780** | 11,704 |
| Other current liability | 31 | **302** | 8,295 | **–** | – |
| Service concession obligations | 32 | **390,962** | – | **–** | – |
| Tax payable | | **1,496** | 2,112 | **–** | – |
| | | **1,773,800** | 630,810 | **12,780** | 11,704 |
| **Net current (liabilities)/assets** | | **(730,653)** | 234,645 | **39,423** | (7,310) |

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| **Non-current liabilities** | | | | | |
| Retirement benefit obligations | 26 | **83,976** | 83,450 | **–** | – |
| Finance lease payables | 27 | **2,572** | 3,318 | **–** | – |
| Long term borrowings | 28 | **799,862** | 899,939 | **–** | – |
| Trade and other payables | 30 | **4,357** | 6,903 | **–** | – |
| Service concession obligations | 32 | **320,273** | – | **–** | – |
| Consumer deposits | 33 | **169,452** | 159,464 | **–** | – |
| Deferred tax liabilities | 17 | **54,940** | 48,974 | **–** | – |
| | | **1,435,432** | 1,202,048 | **–** | – |
| **Total liabilities** | | **3,209,232** | 1,832,858 | **12,780** | 11,704 |
| **Net assets/liabilities** | | **384,284** | 1,029,395 | **839,423** | (7,310) |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 34 | **565,995** | –* | **565,995** | –* |
| Share premium | 35 | **339,597** | – | **339,597** | – |
| Other reserves | 36 | **(879,143)** | 512,228 | **–** | – |
| Retained earnings | | **146,419** | 299,734 | **(66,169)** | (7,310) |
| | | **172,868** | 811,962 | **839,423** | (7,310) |
| Non-controlling interests | | **211,416** | 217,433 | **–** | – |
| **Total equity** | | **384,284** | 1,029,395 | **839,423** | (7,310) |
| **Total equity and liabilities** | | **3,593,516** | 2,862,253 | **852,203** | 4,394 |

* *Represents RM2.*

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 2015

| | Attributable to the equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | Distributable | | | | |
| | Share capital RM'000 | Share premium RM'000 | Currency translation reserves RM'000 | Equity component of convertible unsecured loan stock ("CULS") RM'000 | Merger reserve/ (deficit) RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
| **At 1 January 2015** | **-*** | **-** | **7,689** | **2,657** | **501,882** | **299,734** | **811,962** | **217,433** | **1,029,395** |
| Total comprehensive income | **-** | **-** | **18,120** | **-** | **-** | **22,345** | **40,465** | **28,950** | **69,415** |
| - Issuance of share capital arising from the RTO (Note 44) | **565,995** | **339,597** | **-** | **(1,594)** | **(1,407,897)** | **(56,500)** | **(560,399)** | **-** | **(560,399)** |
| - Unwinding on interest expense on CULS attributable to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(142)** | **(142)** |
| - Dividends paid by subsidiaries prior to combination/RTO (Note 37) | **-** | **-** | **-** | **-** | **-** | **(119,160)** | **(119,160)** | **(33,375)** | **(152,535)** |
| - CULS interest paid to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,450)** | **(1,450)** |
| **At 31 December 2015** | **565,995** | **339,597** | **25,809** | **1,063** | **(906,015)** | **146,419** | **172,868** | **211,416** | **384,284** |
| At 1 January 2014 | – | – | 1,562 | 2,657 | 573,882 | 314,703 | 892,804 | 228,101 | 1,120,905 |
| Incorporation of the Company^ | –* | – | – | – | – | – | – | – | – |
| Total comprehensive income | – | – | 6,127 | – | – | 90,783 | 96,910 | 36,327 | 133,237 |
| - Unwinding on interest expense on CULS attributable to non-controlling interests | – | – | – | – | – | – | – | (123) | (123) |
| - Redemption of redeemable convertible non-cumulative preference shares | – | – | – | – | (72,000) | – | (72,000) | (18,000) | (90,000) |
| - Dividends paid by subsidiaries prior to combination/RTO (Note 37) | – | – | – | – | – | (105,752) | (105,752) | (26,697) | (132,449) |
| - CULS interest paid to non-controlling interests | – | – | – | – | – | – | – | (2,175) | (2,175) |
| At 31 December 2014 | –* | – | 7,689 | 2,657 | 501,882 | 299,734 | 811,962 | 217,433 | 1,029,395 |

* *Represents RM2.*

^ *The Company was incorporated on 28 April 2014.*

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

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

| | Attributable to equity holders of the Company | | | |
|---|---|---|---|---|
| | ← Non-distributable → | | | |
| | Share capital RM'000 | Share premium RM'000 | Accumulated loss RM'000 | Total RM'000 |
| **Company** | | | | |
| **At 1 January 2015** | **–*** | **–** | **(7,310)** | **(7,310)** |
| Total comprehensive loss for the year | **–** | **–** | **(58,859)** | **(58,859)** |
| **Transaction with owners** | | | | |
| Issuance of share capital, representing total transaction with owners | **565,995** | **339,597** | **–** | **905,592** |
| **At 31 December 2015** | **565,995** | **339,597** | **(66,169)** | **839,423** |
| **Incorporated on 28 April 2014** | –* | – | – | –* |
| Total comprehensive loss for the period | – | – | (7,310) | (7,310) |
| **At 31 December 2014** | –* | – | (7,310) | (7,310) |

* *Represents RM2.*

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 2015

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before taxation | **103,109** | 182,477 | **(58,859)** | (7,310) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **45,943** | 45,275 | **–** | – |
| Net loss/(gain) on disposal of property, plant and equipment | **119** | (849) | **–** | – |
| Property, plant and equipment written off | **12** | 7 | **–** | – |
| Amortisation of service concession asset | **300,031** | 255,428 | **–** | – |
| Amortisation of software | **2,361** | 2,359 | **–** | – |
| Share of profit of a joint venture | **(16,474)** | (9,088) | **–** | – |
| Provision for retirement benefit plan | **8,940** | 10,910 | **–** | – |
| Net bad debts written-off | **195** | 3 | **–** | – |
| Zakat | **1,619** | 4,874 | **–** | – |
| Bad debts recovered | **(82)** | (106) | **–** | – |
| Allowance for impairments | **2,083** | 1,302 | **–** | – |
| Net unrealised foreign exchange loss | **233** | – | **209** | – |
| Provision for foreseeable losses | **194** | – | **–** | – |
| Provision for liquidated ascertained damages | **1,039** | 858 | **–** | – |
| Cost of assuming the listing status of Symphony House Berhad | **45,592** | – | **45,592** | – |
| Interest income | **(61,904)** | (62,987) | **(26)** | – |
| Interest expense | **99,454** | 77,869 | **–** | – |
| Operating profit before working capital changes | **532,464** | 508,332 | **(13,084)** | (7,310) |
| Receivables | **(78,284)** | 24,707 | **(20,790)** | (4,394) |
| Payables | **87,617** | 69,242 | **867** | 11,704 |
| Inventories | **(1,374)** | (6,116) | **–** | – |
| Finance lease receivables | **84,168** | 84,168 | **–** | – |
| Other current asset | **(16,086)** | (7,455) | **–** | – |
| Cash generated from operations | **608,505** | 672,878 | **(33,007)** | – |
| Retirement benefits plan paid | **(8,621)** | (4,841) | **–** | – |
| Zakat paid | **(619)** | (879) | **–** | – |
| Tax paid | **(13,009)** | (10,905) | **–** | – |
| Repayments of lease rental payable to PAAB | **(223,300)** | (216,000) | **–** | – |
| Net cash generated from operating activities | **362,956** | 440,253 | **(33,007)** | – |

## STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 1.1.2015 to 31.12.2015 RM'000 | 1.1.2014 to 31.12.2014 RM'000 | 1.1.2015 to 31.12.2015 RM'000 | 28.4.2014 to 31.12.2014 RM'000 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(41,553)** | (29,124) | **–** | – |
| Proceeds from disposal of property, plant and equipment | **295** | 896 | **–** | – |
| Disposal of short term investments | **6,888** | 18,492 | **–** | – |
| Purchase of software | **(58)** | (1,206) | **–** | – |
| Proceed from management buy-out | **60,000** | – | **60,000** | – |
| Interest received | **13,074** | 11,550 | **26** | – |
| Net cash generated from investing activities | **38,646** | 608 | **60,026** | – |
| **Cash flows from financing activities** | | | | |
| Redemption of 90,000,000 Redeemable Convertible Non-Cumulative Preference Shares ("RCNPS") | **–** | (90,000) | **–** | – |
| Advances from a joint venture | **2,500** | – | **2,500** | – |
| (Placement)/withdraw of fixed deposits with banking facilities | **(29,561)** | 4,293 | **–** | – |
| Finance lease principal repayments | **(1,231)** | (1,023) | **–** | – |
| Repayment of borrowings | **(85,000)** | (75,000) | **–** | – |
| Dividends paid | **(177,589)** | (132,449) | **–** | – |
| Interest paid | **(60,115)** | (67,355) | **–** | – |
| Net cash (used in)/generated from financing activities | **(350,996)** | (361,534) | **2,500** | – |
| **Net increase in cash and cash equivalents** | **50,606** | 79,327 | **29,519** | – |
| **Cash and cash equivalents at beginning of year** | **254,939** | 175,612 | **–** | – |
| **Cash and cash equivalents at year end (Note 25)** | **305,545** | 254,939 | **29,519** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 1. Corporate information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and a joint venture are set out in Note 18 and 19 respectively. There have been no significant change in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2016.

## 2. Significant accounting policies

### 2.1 Basis of preparation

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

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

As disclosed in Note 44, the Company completed a series of transactions in conjunction with and as an integral part of the Company's listing on the Main Market of Bursa Securities via a reverse takeover acquisition of Symphony House Berhad ("Symphony"). The RTO and MBO are regarded as a reverse acquisition involving a non-trading shell company. Accordingly, it is accounted for as a continuation of the financial statements of RGSB Companies and RUSB Companies ("Ranhill Entities") collectively via the Company. RTO, MBO, RGSB Companies and RUSB Companies are as defined therein.

In effect, it is a transaction where Ranhill Entities is deemed to have issued shares in exchange for the net assets i.e cash together with the listing status of Symphony. The difference between the fair value of the shares deemed to have been issued by Ranhill Entities and the RM60,000,000 cash consideration for the MBO represents a service received by Ranhill Entities. Such difference is accounted for cost of assuming the listing status of Symphony House Berhad.

The continuation and combination of Ranhill Entities fall under the scope of business combination under common control and accordingly accounted for using the pooling of interest method as described in Note 2.4.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (Cont'd.)

#### 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 2015, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | 1 July 2014 |

Adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

<u>Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions</u>

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's financial statements.

<u>Annual Improvements to MFRSs 2010 – 2012 Cycle</u>

The Annual Improvements to MFRSs 2010 – 2012 Cycle include a number of amendments to various MFRSs, which are summarised below.

(i) MFRS 3 Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

## 2. Significant accounting policies (Cont'd.)

### 2.2 Changes in accounting policies (Cont'd.)

Annual Improvements to MFRSs 2010 – 2012 Cycle (Cont'd.)

(ii) MFRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and

- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets.

(iii) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.

(iv) MFRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011 – 2013 Cycle

The Annual Improvements to MFRSs 2011 – 2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

(i) MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group.

(ii) MFRS 13 Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The Group does not apply the portfolio exception.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.3 Standards issued but not yet effective

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to MFRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 9 Financial Instruments | 1 January 2018 |

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

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

## 2. Significant accounting policies (Cont'd.)

### 2.3 Standards issued but not yet effective (Cont'd.)

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.3 Standards issued but not yet effective (Cont'd.)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

## 2. Significant accounting policies (Cont'd.)

### 2.3 Standards issued but not yet effective (Cont'd.)

<u>MFRS 9 Financial Instruments</u>

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

<u>Annual Improvements to MFRSs 2012 – 2014 Cycle</u>

The Annual Improvements to MFRSs 2012 – 2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

(i) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

(ii) MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.4 Basis of consolidation (Cont'd.)

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

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

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

**Business combination**

(i) Acquisition method

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

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.9.

## 2. Significant accounting policies (Cont'd.)

### 2.4 Basis of consolidation (Cont'd.)

**Business combination (Cont'd.)**

(ii) Pooling of interest method

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

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

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

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

### 2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.6 Joint venture (Cont'd.)

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

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

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

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

### 2.7 Transactions with non-controlling interests

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

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

### 2.8 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.

## 2. Significant accounting policies (Cont'd.)

### 2.8 Foreign currency (Cont'd.)

#### (b) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### (c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of parts of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group dispose of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.9 Intangible assets

#### (a) Goodwill

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

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

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

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

#### (b) Service license

Costs 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 and rights of use over the existing water assets and new water assets owned by Pengurusan Asset Air Berhad ("PAAB") per the terms and conditions of the Facility Agreement terms and conditions of which is set out in Note 14. The license is subject to formal renewal every three years based on meeting specific terms and conditions as set out by Suruhanjaya Perkhidmatan Air Negara ("SPAN"). In the absence of specific terms of termination, the license is expected to have indefinite useful life and hence the costs incurred is not amortised and is tested for impairment at every reporting date.

#### (c) 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 finite useful life of 5 years.

## 2. Significant accounting policies (Cont'd.)

### 2.10 Property, plant and equipment

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

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

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

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

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

| | |
|---|---|
| Long term leasehold land | 2% |
| Building | 21 years |
| Building structure | 1.25% - 2.5% |
| Power stations | 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.11 Impairment of non-financial assets

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

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

At each reporting date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

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

## 2. Significant accounting policies (Cont'd.)

### 2.12 Financial assets

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

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

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

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

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

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

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

#### (b) Loans and receivables

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.13 Impairment of financial assets

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

**Financial assets carried at amortised cost**

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

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

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

## 2. Significant accounting policies (Cont'd.)

### 2.14 Financial liabilities

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

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

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

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

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

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

**(b) Other financial liabilities**

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (Cont'd.)

#### 2.15 Construction contracts

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

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

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

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

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

#### 2.16 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').

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.

**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 amortized, generally on a straight-line basis, over the contract term.

Under the intangible asset model, revenue includes:

- revenue from the construction of the infrastructure; and

- operating revenue of the infrastructure.

## 2. Significant accounting policies (Cont'd.)

### 2.17 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.

### 2.18 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.

### 2.19 Cash and cash equivalents

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

### 2.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 2. Significant accounting policies (Cont'd.)

#### 2.21 Employee benefits

**(a) Short term employee benefits**

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

**(b) Post-employment benefits**

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

**(i) Defined contribution plan**

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

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

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

**(ii) Defined benefit plan**

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

The Group has adopted MFRS 119 (revised) and applied this standard retrospectively during the financial year.

The amendments to MFRS 119 (revised) changed the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs.

As a result of MFRS 119 (revised) adoption, 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. Remeasurements are not reclassified to profit or loss in subsequent periods.

## 2. Significant accounting policies (Cont'd.)

### 2.21 Employee benefits (Cont'd.)

#### (b) Post-employment benefits (Cont'd.)

##### (ii) Defined benefit plan (Cont'd.)

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

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 plan assets) is recognise in profit or loss, calculated using the discount rate used the measure the net retirement benefit obligation or assets. The interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net retirement benefit obligations or assets.

### 2.22 Leases

#### (a) As lessee

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

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

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

#### (b) As lessor

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.23 Borrowing costs

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

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

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

### 2.24 Income tax

#### (a) Current tax

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

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

#### (b) Deferred tax

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

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

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

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

## 2. Significant accounting policies (Cont'd.)

### 2.24 Income tax (Cont'd.)

#### (b) Deferred tax (Cont'd.)

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.25 Convertible unsecured loan stocks ("CULS")

The CULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of CULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. On issuance of the CULS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities set out in Note 2.14.

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.

### 2.26 Contingencies

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

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

### 2.27 Zakat

The Group recognises its obligation towards the payment of zakat on business. Zakat for the current financial period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when the Group has been in operation for at least 12 months, ie 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. Significant accounting policies (Cont'd.)

### 2.28 Revenue recognition

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

**(i) Revenue**

**(a) Water revenue**

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

**(b) Sale of electricity**

Sale of electricity is recognised upon delivery of electricity.

**(c) Contribution by housing developers**

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

**(d) Special works and services**

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

**(e) Rental income**

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

**(f) Non revenue water reduction income**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.28 Revenue recognition (Cont'd.)

**(i) Revenue (Cont'd.)**

**(g) Sale of equipment**

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

**(ii) Other item of income**

**(a) Interest income**

Interest income is recognised using the effective interest method.

### 2.29 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 40.

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 (Cont'd.)

### 2.29 Fair value measurement (Cont'd.)

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

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

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

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

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

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

### 2.30 Current versus non-current classification

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 2. Significant accounting policies (Cont'd.)

### 2.30 Current versus non-current classification (Cont'd.)

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

### 2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosure of each of these segments are shown in Note 47, including the factors used to identify the reportable segments and the measurement basis of segment information.

## 3. Significant accounting judgements and estimates

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

### 3.1 Judgements made in applying accounting policies

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

## 3. Significant accounting judgements and estimates (Cont'd.)

### 3.2 Key sources of estimation uncertainty

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

**(a) Useful life of power station**

The costs of power station are depreciated on a straight-line basis over the asset's estimated economic useful lives of 35 years.

The directors regard the estimated revise useful lives to be acceptable life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's power stations at the reporting dates are disclosed in Note 13.

**(b) Depreciation of property, plant and equipment**

The estimate of the useful life 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. 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.

**(c) 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. 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.

**(d) Deferred tax assets**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 3. Significant accounting judgements and estimates (Cont'd.)

#### 3.2 Key sources of estimation uncertainty (Cont'd.)

**(e) Impairment of intangibles**

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

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

**(f) Impairment of loans and receivables**

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 20.

**(g) 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 26.

## 3. Significant accounting judgements and estimates (Cont'd.)

### 3.2 Key sources of estimation uncertainty (Cont'd.)

**(h) Service concession asset**

Service concession asset is determined based on the present value of the total lease rental payable to PAAB which have been computed based on certain reduced annual and escalation rates that have been agreed during meetings which were held on 22 and 23 March 2013 between the relevant parties. The reduced annual and escalation rates are still subject to PAAB's Board of Directors' approval.

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 lease rental period and taking into consideration the yield curve respectively.

Further details on the service concession asset are disclosed in Note 14.

**(i) 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 has relied on past experience and the work of specialists. The carrying amounts of assets and liabilities arising from construction contracts at the reporting date are disclosed in Note 23.

**(j) Provision for liquidated ascertained damages**

Provision for liquidated ascertained damages ("LAD") is in respect of projects undertaken by the Group and is recognised for expected LAD claims based on the terms of the applicable sale and purchase agreements. Significant judgement is required in determining the amount of provision for LAD to be made. The Group evaluates the amount of provision required based on past experience, the industry norm and the results from continuous dialogues held with affected customers.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 4. Revenue

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| Water revenue | **916,589** | 835,315 |
| Sale of electricity | **183,447** | 239,788 |
| Rental income from operating lease | **120,022** | 121,024 |
| Contribution by housing developers | **40,466** | 31,050 |
| Non revenue water reduction fees | **39,772** | 55,999 |
| Special works | **9,192** | 9,414 |
| Sale of equipment | **5,162** | 1,752 |
| Rental income | **471** | – |
| | **1,315,121** | 1,294,342 |

### 5. Cost of sales

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| Water and its related costs | **683,102** | 627,652 |
| Operation and maintenance costs | **63,891** | 74,513 |
| Power and its related costs | **215,329** | 245,917 |
| Cost of equipment | **3,928** | 1,314 |
| Rental cost | **884** | – |
| | **967,134** | 949,396 |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| Interest income: | | | | |
| - Loans and receivables | **47** | 62 | **–** | – |
| - Fixed deposits | **12,155** | 10,709 | **26** | – |
| - Finance lease income (Note 16) | **48,830** | 51,375 | **–** | – |
| - Islamic Money Market fund | **872** | 841 | **–** | – |
| | **61,904** | 62,987 | **26** | – |

## 7. Other income

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| Unrealised foreign exchange gain | **2** | – |
| Realised foreign exchange gain | **–** | 147 |
| Gain on disposal of property, plant and equipment | **1** | 849 |
| Rental income | **1,397** | 1,342 |
| Plan processing fees | **790** | 762 |
| Claims from customer | **3,667** | 1,731 |
| Bad debts recovered | **82** | 106 |
| Insurance claims | **203** | 804 |
| Sale of tender documents | **201** | 140 |
| Charges to contractors | **178** | 178 |
| Third party compensation | **–** | 254 |
| Miscellaneous income | **775** | 81 |
| | **7,296** | 6,394 |

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 8. Finance costs

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| SUKUK Musharakah ("Sukuk") | **2,593** | – |
| Islamic Medium Term Notes ("iMTN") | **17,794** | 21,956 |
| Musharakah Medium Term Notes ("mMTN") | **41,166** | 42,594 |
| Finance leases | **9** | 19 |
| Term loans | **1** | 16 |
| Bank overdrafts | **–** | 2 |
| Bank guarantees | **570** | 350 |
| Unwinding of discount on payables | **673** | 300 |
| Unwinding of interest of service concession obligations | **34,442** | 10,180 |
| Convertible unsecured loan stocks | **2,206** | 2,359 |
| Others | **–** | 93 |
| | **99,454** | 77,869 |

## 9. Profit/(loss) before tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| - current year | **650** | 453 | **75** | 10 |
| - underprovision in prior year | **2** | 1 | **–** | – |
| Amortisation of service concession assets (Note 14) | **300,031** | 255,428 | **–** | – |
| Amortisation of software (Note 15) | **2,361** | 2,359 | **–** | – |
| Depreciation of property, plant and equipment (Note 13) | **45,943** | 45,275 | **–** | – |
| Employee benefits expense (Note 10) | **180,436** | 176,794 | **–** | – |
| Directors' remuneration (Note 11) | **8,060** | 4,892 | **1,041** | 32 |
| Bad debts written off | **195** | 3 | **–** | – |

## 9. Profit/(loss) before tax (Cont'd.)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| Cost of assuming the listing status of Symphony House Berhad | **45,592** | – | **45,592** | – |
| Allowance for impairment (Note 20): | | | | |
| - Trade receivables | **2,083** | 1,302 | **–** | – |
| Operating lease rentals: | | | | |
| - Land and buildings | **2,697** | 1,753 | **–** | – |
| - Motor vehicles and equipment | **797** | 896 | **–** | – |
| - Parking | **102** | – | **–** | – |
| Property, plant and equipment written off (Note 13) | **12** | 7 | **–** | – |
| Provision for foreseeable losses (Note 23) | **194** | – | **–** | – |
| Provision for liquidated ascertained damages | **1,039** | 858 | **–** | – |
| Loss on disposal of property, plant and equipment | **119** | – | **–** | – |
| Net unrealised foreign exchange loss | **235** | – | **209** | – |
| Net realised foreign exchange loss | **714** | 28 | **139** | – |
| Reverse takeover expenses | **9,918** | 7,220 | **9,918** | 7,220 |

## 10. Employee benefits expense

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| Wages, salaries and bonus | **112,250** | 112,822 |
| Employee allowances | **25,874** | 20,838 |
| Defined contribution plan | **16,056** | 15,812 |
| Defined benefit retirement plan (Note 26) | **8,940** | 10,910 |
| Other staff related expenses | **17,316** | 16,412 |
| | **180,436** | 176,794 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 11. Directors' remunerations

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

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| <u>Non-Executive Directors:</u> | | | | |
| Fees | **748** | 349 | **46** | 32 |
| Other emoluments | **14** | 2 | **–** | – |
| | **762** | 351 | **46** | 32 |
| <u>Executive Directors:</u> | | | | |
| Fees | **126** | 248 | **–** | – |
| Salaries and bonus | **5,935** | 3,750 | **888** | – |
| Defined contribution plan | **735** | 451 | **95** | – |
| Other emoluments | **49** | 40 | **12** | – |
| Benefits-in-kind | **453** | 52 | **–** | – |
| | **7,298** | 4,541 | **995** | – |
| Total | **8,060** | 4,892 | **1,041** | 32 |

### 12. Income tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| <u>Income tax</u> | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | **10,706** | 10,839 | **–** | – |
| - Underprovision in prior year | **757** | 152 | **–** | – |
| | **11,463** | 10,991 | **–** | – |
| <u>Deferred tax (Note 17)</u> | | | | |
| - Origination and reversal of deferred tax | **33,178** | 40,346 | **–** | – |
| - Relating to reduction in Malaysian income tax rate | **–** | 1,966 | **–** | – |
| - Underprovision in prior year | **7,173** | 2,064 | **–** | – |
| | **40,351** | 44,376 | **–** | – |
| Income tax expense | **51,814** | 55,367 | **–** | – |

## 12. Income tax expense (Cont'd.)

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2014: 25%) of the estimated assessable profit for the period. The statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.

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** | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **28.4.2014 to 31.12.2014 RM'000** |
| Profit before tax | **103,109** | 182,477 | **(58,859)** | (7,310) |
| Tax at Malaysian statutory tax rate of 25% ( 2014: 25%) | **25,777** | 45,619 | **(14,715)** | (1,828) |
| Change in tax rate | **–** | 1,966 | **–** | – |
| Expenses not deductible for tax purposes | **23,206** | 7,940 | **14,715** | 1,828 |
| Income not subject to tax | **(4,616)** | (1,868) | **–** | – |
| Deferred tax asset recognised | **(483)** | (506) | **–** | – |
| Underprovision of deferred tax in prior year | **7,173** | 2,064 | **–** | – |
| Underprovision of income tax in prior year | **757** | 152 | **–** | – |
| | **51,814** | 55,367 | **–** | – |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 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 stations RM'000 | Replacement parts RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **Cost:** | | | | | | | | | |
| At 1 January 2014 | 93,681 | 495 | 173,378 | 43,108 | 6,999 | 675,358 | 47,880 | 14,097 | 1,054,996 |
| Additions | 7,276 | 9 | 1,959 | 3,624 | – | – | – | 17,248 | 30,116 |
| Disposals | – | – | – | (4,268) | – | – | – | – | (4,268) |
| Transfer | 18,639 | 120 | 620 | 3,541 | – | – | – | (22,920) | – |
| Written off | – | – | (404) | – | – | – | – | – | (404) |
| At 31 December 2014 | 119,596 | 624 | 175,553 | 46,005 | 6,999 | 675,358 | 47,880 | 8,425 | 1,080,440 |
| At 1 January 2015 | **119,596** | **624** | **175,553** | **46,005** | **6,999** | **675,358** | **47,880** | **8,425** | **1,080,440** |
| Additions | **7,025** | **-** | **2,092** | **1,362** | **-** | **-** | **-** | **31,497** | **41,976** |
| Disposals | **-** | **-** | **(51)** | **(1,780)** | **-** | **-** | **-** | **-** | **(1,831)** |
| Transfer | **13,997** | **-** | **2,439** | **2,490** | **-** | **-** | **-** | **(18,926)** | **-** |
| Written off | **-** | **-** | **(1,020)** | **-** | **-** | **-** | **-** | **-** | **(1,020)** |
| At 31 December 2015 | **140,618** | **624** | **179,013** | **48,077** | **6,999** | **675,358** | **47,880** | **20,996** | **1,119,565** |
| **Accumulated depreciation:** | | | | | | | | | |
| At 1 January 2014 | 35,002 | 9 | 154,283 | 31,183 | 2,240 | 206,711 | 29,638 | – | 459,066 |
| Charge for the year (Note 9) | 16,344 | 10 | 7,476 | 4,567 | 140 | 16,127 | 611 | – | 45,275 |
| Disposals | – | – | – | (4,221) | – | – | – | – | (4,221) |
| Written off | – | – | (397) | – | – | – | – | – | (397) |
| At 31 December 2014 | 51,346 | 19 | 161,362 | 31,529 | 2,380 | 222,838 | 30,249 | – | 499,723 |
| At 1 January 2015 | **51,346** | **19** | **161,362** | **31,529** | **2,380** | **222,838** | **30,249** | **-** | **499,723** |
| Charge for the year (Note 9) | **19,141** | **10** | **5,671** | **4,243** | **140** | **16,127** | **611** | **-** | **45,943** |
| Disposals | **-** | **-** | **(39)** | **(1,378)** | **-** | **-** | **-** | **-** | **(1,417)** |
| Written off | **-** | **-** | **(1,008)** | **-** | **-** | **-** | **-** | **-** | **(1,008)** |
| **At 31 December 2015** | **70,487** | **29** | **165,986** | **34,394** | **2,520** | **238,965** | **30,860** | **-** | **543,241** |
| **Net carrying amount:** | | | | | | | | | |
| At 31 December 2014 | 68,250 | 605 | 14,191 | 14,476 | 4,619 | 452,520 | 17,631 | 8,425 | 580,717 |
| At 31 December 2015 | **70,131** | **595** | **13,027** | **13,683** | **4,479** | **436,393** | **17,020** | **20,996** | **576,324** |

## 13. Property, plant and equipment (Cont'd.)

Assets held under finance leases

During the financial year ended 31 December 2015, the Group acquired motor vehicles with an aggregate cost of RM1,362,000 (2014: RM3,624,000) of which RM423,000 (2014: RM992,000) were acquired by means of finance leases. The remaining balances were paid for in cash for these assets.

The net book value of motor vehicles under finance leases as at 31 December 2014 was RM4,720,000 (2014: RM4,483,000).

Leased assets are pledged as security for the related finance lease liabilities (Note 27).

Assets pledged as security

In addition to assets held under finance lease, certain Group's property, plant and equipment are pledged as security to financial institutions as security for loan and borrowings, as disclosed in Note 28.

## 14. Service concession assets

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Cost** | | |
| At beginning of the year | **1,024,958** | 1,024,958 |
| Additions* | **900,093** | – |
| Less: Completed operating period | **(1,024,958)** | – |
| At end of the year | **900,093** | 1,024,958 |
| **Accumulated amortisation** | | |
| At beginning of the year | **1,024,958** | 769,530 |
| Amortisation charge for the financial year (Note 9) | **300,031** | 255,428 |
| Less: Completed operating period | **(1,024,958)** | – |
| At end of the year | **300,031** | 1,024,958 |
| Net carrying amounts | **600,062** | – |

* Additions represent the fair value of the service concession assets acquired at the commencement of each license period for water supply services in the State of Johor.

Service concession assets comprise assets resulting from the application of accounting policy as disclosed in Note 2.16 on accounting for concession contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 14. Service concession assets (Cont'd.)

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

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

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

SAJH's application on individual service license under Section 4(1)(b) of WSIA (Act 655) was approved by the Ministry of Energy, Green Technology and Water, for a period of three years, commencing from 1 July 2009 to 30 June 2012. Subsequently, the license was renewed for a period of two and a half years commencing from 1 July 2012 until 31 December 2014 to be consistent with the change in financial year end from June to December. The license was further renewed for a period of three years from 1 January 2015 to 31 December 2017.

SAJH has entered into the Third Operating Period which covers from 1 January 2015 to 31 December 2017 which has been approved by SPAN on 27 May 2015.

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

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

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

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

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

(v) SAJH 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) SAJH 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) SAJH 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 31.12.2015 RM'000 | Group 31.12.2014 RM'000 |
|---|---|---|
| Goodwill | **11,151** | 11,151 |
| Service licenses | **282,356** | 282,356 |
| Software | **3,831** | 6,134 |
| | **297,338** | 299,641 |

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 to treat raw water, supply and distribute treated water to the consumers of the State of Johor and rights to use over the existing water related assets and new water related assets owned by the Pengurusan Aset Air Berhad ("PAAB") based on terms and conditions of the Master Agreement and Facility Agreement.

This service license is not amortised but assessed for impairment at each reporting date.

Impairment test for goodwill and service license

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 beyond 3 years consistent with the term of the licenses and the underlying agreements.

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

| | Water services % |
|---|---|
| Growth rate[i] | 1.4 |
| Pre-tax discount rate[ii] | 14.0 |

[i] Industry growth rate used to extrapolate cash flows beyond the budget 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 reflect specific risk relating to the segment.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 15. Intangibles (Cont'd.)

Software

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Cost** | | |
| At beginning of the year | **12,761** | 11,555 |
| Addition during the year | **58** | 1,206 |
| At end of the year | **12,819** | 12,761 |
| **Accumulated amortisation** | | |
| At beginning of the year | **6,627** | 4,268 |
| Amortisation charge for the year (Note 9) | **2,361** | 2,359 |
| At end of the year | **8,988** | 6,627 |
| **Net carrying amount** | **3,831** | 6,134 |

### 16. Finance lease receivables

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| At beginning of the year | **667,038** | 699,831 |
| Repayments | **(84,168)** | (84,168) |
| Finance lease income (Note 6) | **48,830** | 51,375 |
| At end of the year | **631,700** | 667,038 |

The finance lease receivables are further analysed as follows:

| | | |
|---|---|---|
| Gross amounts receivable | **994,118** | 1,078,286 |
| Less: Unearned finance interest income | **(362,418)** | (411,248) |
| Finance lease receivables | **631,700** | 667,038 |
| Analysed into: | | |
| Current | **38,082** | 35,338 |
| Non-current | **593,618** | 631,700 |
| | **631,700** | 667,038 |

## 16. Finance lease receivables (Cont'd.)

| | Group 31.12.2015 RM'000 | Group 31.12.2014 RM'000 |
|---|---|---|
| The terms of the lease agreement is summarised as follows: | | |
| Gross amounts receivable within: | | |
| Not later than 1 year | **84,168** | 84,168 |
| Later than 1 year but not later than 2 years | **84,168** | 84,168 |
| Later than 2 years but not later than 5 years | **252,503** | 252,503 |
| Later than 5 years | **573,279** | 657,447 |
| Total minimum lease payments receivable | **994,118** | 1,078,286 |
| Less: Unearned finance interest income | **(362,418)** | (411,248) |
| | **631,700** | 667,038 |
| Present value of payments receivable: | | |
| Not later than 1 year | **38,082** | 35,338 |
| Later than 1 year but not later than 2 years | **41,038** | 38,082 |
| Later than 2 years but not later than 5 years | **143,238** | 132,919 |
| Later than 5 years | **409,342** | 460,699 |
| Present value of minimum lease payments receivable | **631,700** | 667,038 |

The finance lease receivable represents a single lease arrangement at reporting date. The lease arrangement has a term of 21 years commencing from the Commercial Operation Date of the power station facility on 22 April 2011 and bore an average effective interest rate of 7.5% per annum.

## 17. Deferred taxation

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

| | Deferred tax assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Unutilised reinvestment allowance RM'000** | **Unutilised investment allowance RM'000** | **Unabsorbed capital allowance RM'000** | **Unutilised tax losses RM'000** | **Provisions RM'000** | **Others RM'000** | **Total RM'000** |
| **Group** | | | | | | | |
| At 1 January 2014 | 56,543 | 198,184 | 189,987 | 3,657 | 35,773 | 17,921 | 502,065 |
| Recognised in profit and loss | (9,417) | (640) | (40,023) | – | 5,042 | 12,207 | (32,831) |
| At 31 December 2014 | 47,126 | 197,544 | 149,964 | 3,657 | 40,815 | 30,128 | 469,234 |
| At 1 January 2015 | **47,126** | **197,544** | **149,964** | **3,657** | **40,815** | **30,128** | **469,234** |
| Recognised in profit and loss | **(9,538)** | **(2,243)** | **(42,988)** | **–** | **(3,743)** | **26,505** | **(32,007)** |
| At 31 December 2015 | **37,588** | **195,301** | **106,976** | **3,657** | **37,072** | **56,633** | **437,227** |

## 17. Deferred taxation (Cont'd.)

| | Deferred tax liabilities | | | |
|---|---|---|---|---|
| | **Property plant and equipment RM'000** | **Convertible unsecured loan stocks RM'000** | **Others RM'000** | **Total RM'000** |
| **Group** | | | | |
| At 1 January 2014 | (219,089) | (579) | (140) | (219,808) |
| Recognised in profit and loss | (11,620) | 75 | – | (11,545) |
| At 31 December 2014 | (230,709) | (504) | (140) | (231,353) |
| At 1 January 2015 | **(230,709)** | **(504)** | **(140)** | **(231,353)** |
| Recognised in profit and loss | **(8,434)** | **90** | **–** | **(8,344)** |
| At 31 December 2015 | **(239,143)** | **(414)** | **(140)** | **(239,697)** |

Presented after appropriate offsetting as follows:

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Deferred tax assets | **252,470** | 286,855 |
| Deferred tax liabilities | **(54,940)** | (48,974) |
| | **197,530** | 237,881 |

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

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Unutilised investment allowances | **145,353** | 147,286 |

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 18. Investment in a subsidiary

| | Company 31.12.2015 RM'000 | Company 31.12.2014 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **–*** | –* |
| Amount due from a subsidiary | **800,000** | – |
| Total investment in a subsidiary | **800,000** | –* |

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

* *Represents RM2.*

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

| Name | Country of incorporation | Principal activities | % of ownership interest held by the Group^ 31.12.2015 | % of ownership interest held by the Group^ 31.12.2014 | % of ownership interest held by non-controlling interests^ 31.12.2015 | % of ownership interest held by non-controlling interests^ 31.12.2014 |
|---|---|---|---|---|---|---|
| **Held by the Company:** | | | | | | |
| Ranhill Capital Sdn. Bhd. [2] | Malaysia | Investment holding and provision of management services to its subsidiaries. | **100** | 100 | **–** | – |
| **Held by Ranhill Capital Sdn. Bhd.** | | | | | | |
| Ranhill Powertron Sdn. Bhd. [2] | Malaysia | Independent power producer. | **60** | 60 | **40** | 40 |
| Ranhill Powertron II Sdn. Bhd. [2] | Malaysia | Independent power producer. | **80** | 80 | **20** | 20 |
| Ranhill Power O&M Sdn. Bhd. [2] | Malaysia | Operation and maintenance services for power plants station. | **60** | 60 | **40** | 40 |
| Ranhill Power II O&M Sdn. Bhd. [2] | Malaysia | Operation and maintenance services for power plants station. | **80** | 80 | **20** | 20 |
| Ranhill Power Services Sdn. Bhd. [2] | Malaysia | Dormant. | **100** | 100 | **–** | – |

## 18. Investment in a subsidiary (Cont'd.)

(a) Details of the Group's subsidiaries are as follows: (Cont'd.)

| Name | Country of incorporation | Principal activities | % of ownership interest held by the Group^ 31.12.2015 | 31.12.2014 | % of ownership interest held by non-controlling interests^ 31.12.2015 | 31.12.2014 |
|---|---|---|---|---|---|---|
| **Held by Ranhill Capital Sdn. Bhd. (Cont'd.)** | | | | | | |
| SAJ Holdings Sdn. Bhd. [1,2] | 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. [2] | Malaysia | Providing and carrying on project management consultancy services relating to both domestic and overseas water-related projects. | **100** | 100 | **–** | – |
| **Held by Ranhill Water Services Sdn. Bhd.** | | | | | | |
| Premier Water Services Sdn. Bhd. [2] | Malaysia | Provision, operation, management, improvement and upgrading of the water advanced pressure management in relation to non revenue water related business or activities. | **60** | 60 | **40** | 40 |

^ Equals to the proportion of voting rights held.

1 Legal transfer of shares of the 20% non-controlling interest to the Johor State Government completed on 5 January 2015.

2 Audited by Ernst & Young, Malaysia.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 18. Investment in a subsidiary (Cont'd.)

(b) Summarised financial information of Ranhill Powertron Sdn. Bhd. ("RPI"), Ranhill Powertron II Sdn. Bhd. ("RPII"), and SAJ Holdings Sdn. Bhd. ("SAJH") which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of Ranhill Power O&M Sdn. Bhd. ("RPOMI"), Ranhill Power II O&M Sdn. Bhd. ("RPOMII") and Premier Water Services Sdn. Bhd. ("PWS") are not material to the Group.

(i) Summarised statements of financial position:

| | RPI RM'000 | RPII RM'000 | SAJH RM'000 | Total RM'000 |
|---|---|---|---|---|
| **As at 31 December 2015** | | | | |
| Non-current assets | **462,337** | **637,909** | **1,022,813** | **2,123,059** |
| Current assets | **220,945** | **207,554** | **482,277** | **910,776** |
| Total assets | **683,282** | **845,463** | **1,505,090** | **3,033,835** |
| Current liabilities | **82,519** | **62,605** | **772,582** | **917,706** |
| Non-current liabilities | **248,308** | **626,306** | **573,710** | **1,448,324** |
| Total liabilities | **330,827** | **688,911** | **1,346,292** | **2,366,030** |
| Equity attributable to owners of the Company | **212,415** | **125,109** | **121,222** | **458,746** |
| Non-controlling interests | **140,040** | **31,443** | **37,576** | **209,059** |
| Net assets | **352,455** | **156,552** | **158,798** | **667,805** |
| **As at 31 December 2014** | | | | |
| Non-current assets | 482,044 | 682,355 | 433,201 | 1,597,600 |
| Current assets | 252,791 | 204,623 | 355,715 | 813,129 |
| Total assets | 734,835 | 886,978 | 788,916 | 2,410,729 |
| Current liabilities | 80,548 | 61,298 | 382,422 | 524,268 |
| Non-current liabilities | 297,457 | 656,171 | 242,914 | 1,196,542 |
| Total liabilities | 378,005 | 717,469 | 625,336 | 1,720,810 |
| Equity attributable to owners of the Company | 215,040 | 135,607 | 130,039 | 480,686 |
| Non-controlling interests | 141,790 | 33,902 | 33,541 | 209,233 |
| Net assets | 356,830 | 169,509 | 163,580 | 689,919 |

## 18. Investment in a subsidiary (Cont'd.)

(b) Summarised financial information of RPI, RPII and SAJH 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 RPOMI, RPOMII and PWS are not material to the Group. (Cont'd.)

(ii) Summarised statements of comprehensive income:

| | RPI RM'000 | RPII RM'000 | SAJH RM'000 | Total RM'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Revenue | **199,596** | **103,873** | **966,247** | **1,269,716** |
| Profit/(loss) for the year | **26,625** | **(957)** | **75,594** | **101,262** |
| Profit/(loss) attributable to owners of the Company | **15,975** | **(766)** | **60,475** | **75,685** |
| Profit/(loss) attributable to the non-controlling interests | **10,650** | **(191)** | **15,119** | **25,577** |
| Profit/(loss) for the year representing total comprehensive income | **26,625** | **(957)** | **75,594** | **101,262** |
| Total comprehensive income/(loss) attributable to owners of the Company | **15,975** | **(766)** | **60,475** | **75,685** |
| Total comprehensive income/(loss) attributable to non-controlling interests | **10,650** | **(191)** | **15,119** | **25,577** |
| | **26,625** | **(957)** | **75,594** | **101,262** |
| **For the year ended 31 December 2014** | | | | |
| Revenue | 233,726 | 127,086 | 875,779 | 1,236,591 |
| Profit for the year | 40,451 | 6,784 | 75,715 | 122,950 |
| Profit attributable to owners of the Company | 24,271 | 5,427 | 60,572 | 90,270 |
| Profit attributable to the non-controlling interests | 16,180 | 1,357 | 15,143 | 32,680 |
| Profit for the year representing total comprehensive income | 40,451 | 6,784 | 75,715 | 122,950 |
| Total comprehensive income attributable to owners of the Company | 24,271 | 5,427 | 60,572 | 90,270 |
| Total comprehensive income attributable to non-controlling interests | 16,180 | 1,357 | 15,143 | 32,680 |
| | 40,451 | 6,784 | 75,715 | 122,950 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 18. Investment in a subsidiary (Cont'd.)

(b) Summarised financial information of RPI, RPII and SAJH 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 RPOMI, RPOMII and PWS are not material to the Group. (Cont'd.)

(iii) Summarised statements of cash flows:

| | RPI RM'000 | RPII RM'000 | SAJH RM'000 | Total RM'000 |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Net cash generated from operating activities | **62,691** | **90,988** | **377,891** | **531,570** |
| Net cash generated from/(used in) investing activities | **10,612** | **(6,668)** | **(40,322)** | **(36,378)** |
| Net cash used in financing activities | **(106,600)** | **(69,404)** | **(331,229)** | **(507,233)** |
| Net (decrease)/increase in cash and cash equivalents | **(33,297)** | **14,916** | **6,340** | **(12,041)** |
| Cash and cash equivalents at beginning of the year | **65,670** | **2,739** | **184,444** | **252,853** |
| Cash and cash equivalents at end of the year | **32,373** | **17,655** | **190,784** | **240,812** |
| **For the year ended 31 December 2014** | | | | |
| Net cash generated from operating activities | 98,094 | 192,023 | 391,479 | 681,596 |
| Net cash generated from/(used in) investing activities | 11,059 | (167,493) | (34,725) | (191,159) |
| Net cash used in financing activities | (81,714) | (60,512) | (260,292) | (402,518) |
| Net increase/(decrease) in cash and cash equivalents | 27,439 | (35,982) | 96,462 | 87,919 |
| Cash and cash equivalents at beginning of the year | 38,231 | 38,721 | 87,982 | 164,934 |
| Cash and cash equivalents at end of the year | 65,670 | 2,739 | 184,444 | 252,853 |

## 19. Investment in a joint venture

The Group has 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 are structured via separate entities and provide the group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as a joint venture of the Group.

(a) Details of the Group's joint venture is as follows:

| Name | Principal place of business/Country of incorporation | % of ownership interest held by the Group | | Nature of relationship | Accounting model applied |
|---|---|---|---|---|---|
| | | 31.12.2015 | 31.12.2014 | | |
| Ranhill Water Technologies (Cayman) Ltd. [1] | Cayman Island | 52 | 52 | Note (i) | Equity method |

This joint venture has the same reporting period as the Group. No quoted market price is available for the shares of Ranhill Water Technologies (Cayman) Ltd. as the Company is a private company.

(i) Ranhill Water Technologies (Cayman) Ltd. is a limited liability company incorporated and domiciled in Cayman Islands. The registered office is located at Scotia Centre, P.O. Box 268, Grand Cayman, KY1-1104, Cayman Islands.

The principal activities of the Company are 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. The principal activities of the subsidiaries are as set out below.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 19. Investment in a joint venture (Cont'd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the joint venture | | % of ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|
| | | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| **Held by Ranhill Water Technologies (Cayman) Ltd.** | | | | | | |
| Ranhill Water (Hong Kong) Limited [2] | Hong Kong | To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to wastewater treatment plants. | **100** | 100 | **-** | – |
| 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 | **-** | – |
| **Held by Ranhill Water (Hong Kong) Limited** | | | | | | |
| Ranhill (Nanchang) Waste Water Treatment Co. Ltd. [3] | China | To undertake wastewater treatment services for Xiao Lan Economic Development Zone. | **100** | 100 | **-** | – |
| Ranhill (Hefei) Wastewater Treatment Co. Ltd. [3] | China | To undertake wastewater treatment services for Hefei Chemical Industrial Park. | **100** | 100 | **-** | – |
| Ranhill (Xinxiang) Wastewater Treatment Co. Ltd. [3] | China | To undertake wastewater treatment services for Xinxiang Industrial Park. | **100** | 100 | **-** | – |

## 19. Investment in a joint venture (Cont'd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (Cont'd.)

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the joint venture 31.12.2015 | 31.12.2014 | % of ownership interest held by non-controlling interests 31.12.2015 | 31.12.2014 |
|---|---|---|---|---|---|---|
| **Held by Ranhill Water (Hong Kong) Limited (Cont'd.)** | | | | | | |
| Ranhill (Yingkou) Wastewater Treatment Co. Ltd. [3] | China | To undertake wastewater treatment services for Yingkou Economic & Technology Development Zone. | **100** | 100 | **-** | – |
| Ranhill Water Technologies (Shanghai) Ltd. [3] | China | To undertake consultancy services on potable water, wastewater technologies and project management. | **100** | 100 | **-** | – |
| Ranhill International Trade (Hong Kong) Investment Limited [2] | Hong Kong | To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to potable water treatment plants. | **51** | 51 | **49** | 49 |
| Ranhill (Changfeng) Environmental Protection Technologies Co. Ltd. [3] | China | To undertake design, construction and operation for wastewater treatment and environmental protection facilities in Xiatang Heavy Industrial Park. | **100** | 100 | **-** | – |
| Ranhill (Fuzhou) Water Co. Ltd. [3] | China | To undertake water, reclaimed water and wastewater projects in Yihuang Industrial Park. | **100** | 100 | **-** | – |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 19. Investment in a joint venture (Cont'd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (Cont'd.)

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the joint venture 31.12.2015 | 31.12.2014 | % of ownership interest held by non-controlling interests 31.12.2015 | 31.12.2014 |
|---|---|---|---|---|---|---|
| **Held by Ranhill Water (Hong Kong) Limited (Cont'd.)** | | | | | | |
| Ranhill (Wanzai) Water Co. Ltd. [3] | China | To undertake water, reclaimed water and wastewater projects in Wanzai Industrial Park, Yichun City. | **100** | 100 | **-** | – |
| Ranhill Venture (Hong Kong) Limited [2] | Hong Kong | To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to potable water treatment plants. | **100** | 100 | **-** | – |
| Ranhill (Qingtongxia) Water Co. Ltd. [4] | China | Undertaking industrial wastewater treatments services, design, construction and operation for wastewater treatment plant in Qingtongxia New Material Base Industrial Park. | **100** | 100 | **-** | – |
| Ranhill (Fuxin) Water Co. Ltd. [3, 4] | China | To undertake wastewater treatments services for Fuxin Coal Chemical Industrial Base. | **100** | – | **-** | – |
| Ranhill (Chongren) Water Co. Ltd. [3] | China | To undertake design, construction, and operation of wastewater treatment facilities. | **100** | – | **-** | – |

## 19. Investment in a joint venture (Cont'd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (Cont'd.)

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the joint venture | | % of ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|
| | | | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| **Held by Ranhill Water Technologies Sdn. Bhd.** | | | | | | |
| Ranhill Water Technologies (Thai) Ltd. [3] | Thailand | To undertake consultancy services, project management, engineering, supply construction and operation for potable and wastewater treatment plant. | **100** | 100 | **-** | – |
| AnuRak Water Treatment Facilities Co. Ltd. [3] | Thailand | To undertake potable water, wastewater and reclaimed water treatment services for domestic and industrial use. | **100** | 100 | **-** | – |
| KWI (Guangzhou) Environmental Engineering Technology Co. Ltd. [3] | 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 | **-** | – |

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 19. Investment in a joint venture (Cont'd.)

(c) Details of the joint ventures of Ranhill Water Technologies (Cayman) Ltd. are as follows:

| Name | Principal place of business/Country of incorporation | % of ownership interest held by the Group 31.12.2015 | 31.12.2014 | Principal activities | Accounting model applied |
|---|---|---|---|---|---|
| **Held by Ranhill Water (Hong Kong) Limited** | | | | | |
| Pinang Water Ltd. [1] | Federal Territory of Labuan, Malaysia | **37** | 37 | To undertake construction water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers. | Equity method |
| **Held by Pinang Water Ltd.** | | | | | |
| YiChun Pinang Water Co. Ltd. [3] | China | **37** | 37 | To undertake water treatment, management and supply of treated water. | Equity method |

1 Audited by Ernst & Young, Malaysia

2 Audited by member firms of Ernst & Young Global

3 Audited by firm other than Ernst & Young

4 The paid up share capital is nil as at 31 December 2015

## 19. Investment in a joint venture (Cont'd.)

(d) Summarised financial information of Ranhill Water Technologies (Cayman) Ltd. is set out below. The summarised information represents the amounts in the IFRS financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statement of financial position

| | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|
| **Non-current assets** | **567,211** | 424,468 |
| Cash and bank balances | **15,743** | 6,037 |
| Other current assets | **127,248** | 41,868 |
| **Total current assets** | **142,991** | 47,905 |
| **Total assets** | **710,201** | 472,373 |
| Current liabilities | **25,205** | 26,470 |
| Trade and other payable and provision | **213,487** | 97,443 |
| **Total current liabilities** | **238,692** | 123,913 |
| Non-current liabilities | **168,721** | 111,980 |
| Trade and other payable and provision | **121** | 120 |
| **Total non-current liabilities** | **168,842** | 112,100 |
| **Total liabilities** | **407,533** | 236,013 |
| **Net assets** | **302,668** | 236,360 |

(ii) Summarised statement of comprehensive income

| | 1.1.2015 to 31.12.2015 RM'000 | 1.1.2014 to 31.12.2014 RM'000 |
|---|---|---|
| Revenue | **114,602** | 89,184 |
| Depreciation and amortisation | **(458)** | (705) |
| Interest income | **22,528** | 16,923 |
| Interest expense | **(11,207)** | (9,103) |
| Profit before tax | **36,847** | 21,929 |
| Tax expense | **(5,320)** | (4,438) |
| Profit after tax | **31,528** | 17,491 |
| Other comprehensive loss | **(20,233)** | (2,884) |
| Total comprehensive income | **11,295** | 14,607 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 19. Investment in a joint venture (Cont'd.)

(e) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in a joint venture.

| | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|
| Net assets as at 1 January | **236,360** | 207,119 |
| Profit for the year | **31,528** | 17,491 |
| Other comprehensive loss | **(20,233)** | (2,884) |
| Currency translation | **55,013** | 14,634 |
| Net assets as at 31 December | **302,668** | 236,360 |
| Interest in a joint venture | **52%** | 52% |
| Carrying value of Group's interest in a joint venture | **157,702** | 123,154 |

### 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| **Current** | | | | |
| **Trade** | | | | |
| Third parties (Note a) | **159,006** | 148,574 | **–** | – |
| Amounts due from related parties (Note c) | **870** | – | **–** | – |
| Retention sum on contracts (Note 23) | **2,671** | 675 | **–** | – |
| | **162,547** | 149,249 | **–** | – |
| Less: Allowance for impairment (Note a) | **(27,324)** | (25,241) | **–** | – |
| Trade receivables, net | **135,223** | 124,008 | **–** | – |
| **Non-trade** | | | | |
| Other receivables and deposits | **21,200** | 4,541 | **17** | – |
| Receivables from PAAB (Note b) | **30,194** | 31,254 | **–** | – |
| Receivable from the State Government of Johor | **8,507** | 6,772 | **–** | – |
| Amount due from a subsidiary (Note c) | **–** | – | **15,001** | – |
| Amounts due from a joint venture (Note c) | **130,603** | 41,340 | **–** | – |
| Amounts due from related parties (Note c) | **287** | 29,905 | **–** | – |
| Deferred transaction costs (Note d) | **7,666** | 4,394 | **7,666** | 4,394 |
| | **198,457** | 118,206 | **22,684** | 4,394 |
| Total current receivables | **333,680** | 242,214 | **22,684** | 4,394 |

## 20. Trade and other receivables (Cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Non-current** | | | | |
| **Non-trade** | | | | |
| Refundable deposits | **70,408** | 70,408 | **–** | – |
| Retention sum on contracts (Note 23) | **2,447** | 4,323 | **–** | – |
| | **72,855** | 74,731 | **–** | – |
| Total trade and other receivables | **406,535** | 316,945 | **22,684** | 4,394 |
| Add: Cash and bank balances (Note 25) | **550,872** | 470,705 | **29,519** | – |
| Total loan and receivables | **957,407** | 787,650 | **52,203** | 4,394 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2014: 15 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Neither past due nor impaired | **108,814** | 98,479 |
| 1 to 30 days past due not impaired | **6,880** | 5,935 |
| 31 to 60 days past due not impaired | **6,115** | 2,295 |
| 61 to 90 days past due not impaired | **2,378** | 5,648 |
| 91 to 120 days past due not impaired | **1,630** | 3,784 |
| More than 121 days past due not impaired | **9,406** | 7,867 |
| | **26,409** | 25,529 |
| Impaired | **27,324** | 25,241 |
| | **162,547** | 149,249 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 20. Trade and other receivables (Cont'd.)

### (a) Trade receivables (Cont'd.)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM26,409,000 as at 31 December 2015 (2014: RM25,529,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Trade receivables | | |
| - nominal amounts | **162,547** | 149,249 |
| Less: Allowance for impairment | **(27,324)** | (25,241) |
| | **135,223** | 124,008 |

Movement in allowance accounts:

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| At beginning of financial year | **25,241** | 23,939 |
| Charge for the year (Note 9) | **2,083** | 1,302 |
| At end of financial year | **27,324** | 25,241 |

## 20. Trade and other receivables (Cont'd.)

### (b) Receivable from PAAB

This amount represents capital expenditure on water related assets (completed and in-progress). The balances with PAAB are expected to be settled within the next 12 months.

### (c) Amounts due from a subsidiary, a joint venture and related parties

Amounts due from a subsidiary, a joint venture and related parties are unsecured, interest-free and repayable on demand.

### (d) Deferred transaction costs

Deferred transaction costs represent the expenses incurred in respect of the issuance of new shares of the Company as part of the series of transactions as disclosed in Note 44. These costs will be written off against the share premium arising from the issuance of new shares as disclosed in Note 45(i).

All trade and other receivables are denominated in Ringgit Malaysia.

## 21. Inventories

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **At cost:** | | |
| Consumables | **54,068** | 42,523 |
| Distillates | **15,674** | 24,840 |
| | **69,742** | 67,363 |
| **At net realisable value:** | | |
| Water pipes | **3,735** | 3,853 |
| Water meters | **1,518** | 2,405 |
| | **5,253** | 6,258 |
| | **74,995** | 73,621 |

## 22. Other current assets

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Prepayments | **8,892** | 9,717 |
| Amounts due from customers on contract work (Note 23) | **15,486** | 6,762 |
| | **24,378** | 16,479 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 23. Amounts due from/(to) customers on contracts

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Contract costs incurred to date | **194,438** | 135,666 |
| Recognised profits | **38,078** | 34,405 |
| | **232,516** | 170,071 |
| Less: Progress billings | **(217,138)** | (171,604) |
| Less: Provision for foreseeable losses (Note 9) | **(194)** | – |
| | **15,184** | (1,533) |
| Presented as: | | |
| Amounts due from customers on contracts (Note 22) | **15,486** | 6,762 |
| Amounts due to customers on contracts (Note 31) | **(302)** | (8,295) |
| | **15,184** | (1,533) |
| Retention sum on contracts | | |
| - included in trade and other receivables (Note 20) | **5,118** | 4,998 |
| - included in trade payables (Note 30) | **(7,180)** | (8,554) |

### 24. Other financial assets

| | 31.12.2015 | | 31.12.2014 | |
|---|---|---|---|---|
| | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| **Group** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Short term investments: | | | | |
| - Islamic managed funds* | **13,490** | **13,490** | 20,592 | 20,592 |
| - Unit trusts | **3,284** | **3,284** | 3,217 | 3,217 |
| - Deposits with other financial instituition | **2,168** | **2,168** | 2,021 | 2,021 |
| | **18,942** | **18,942** | 25,830 | 25,830 |

* 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.

## 25. Deposits, cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| Cash at banks and on hand | **164,535** | 149,862 | **5,519** | – |
| Short term deposits with licensed banks | **386,337** | 320,843 | **24,000** | – |
| Total deposits, cash and bank balances | **550,872** | 470,705 | **29,519** | – |
| Deposits pledged as securities to licensed banks | **–** | (400) | **–** | – |
| Restricted deposits, cash and bank balances | **(245,327)** | (215,366) | **–** | – |
| Cash and cash equivalents | **305,545** | 254,939 | **29,519** | – |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31.12.2015 % | 31.12.2014 % | 31.12.2015 % | 31.12.2014 % |
| Short term deposits with: | | | | |
| - Licensed banks | **3.58** | 3.35 | **3.01** | – |
| - Other financial institution | **3.49** | 3.28 | **–** | – |

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 RM245,327,000 (2014: RM215,366,000), which are restricted pursuant to a financial covenant to maintain certain reserve requirement as part of the repayment schedule of certain borrowings as further disclosed in Note 28. Out of this amount, RM38,571,000 are currently placed as Islamic fixed deposits under the account of a related party. These amounts will be transferred to the Group upon the maturity of the fixed deposits by June 2016. Included also in deposits with licensed banks are amounts of RM nil (2014: RM400,000) pledged as securities for credit facilities granted to the Group.

All deposits, cash and bank balances are denominated in Ringgit Malaysia.

## 26. Retirement benefit obligations

| | Group | |
|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| Representing: | | |
| Current | **7,969** | 8,176 |
| Non-current | **83,976** | 83,450 |
| | **91,945** | 91,626 |

A subsidiary of the Group operates an unfunded defined benefit retirement scheme for its eligible employees. The latest actuarial valuation of the plan was carried out as at 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 26. Retirement benefit obligations (Cont'd.)

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 | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **At beginning of financial year** | **91,626** | 85,557 |
| Charge to profit or loss (Note 10) | **8,940** | 10,910 |
| Benefits paid | **(8,621)** | (4,841) |
| **At end of financial year** | **91,945** | 91,626 |

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

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Charge to profit or loss | | |
| Current service costs | **4,454** | 4,666 |
| Interest costs | **4,486** | 4,312 |
| Past service costs | **–** | 1,932 |
| Total included in staff costs | **8,940** | 10,910 |

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 | |
|---|---|---|
| | **31.12.2015 %** | **31.12.2014 %** |
| Discount rate | **5.0** | 5.0 |
| Expected rate of salary increases | **6.0** | 6.0 |

## 27. Finance lease payables

The Group has finance leases for certain items of plant and equipment (Note 13).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** |
| **Minimum lease payments:** | | |
| - Within one year | **1,431** | 1,372 |
| - Between two to five years | **2,641** | 3,297 |
| - More than five years | **83** | 253 |
| Total minimum lease payments | **4,155** | 4,922 |
| Less: Amounts representing finance charges | **(310)** | (421) |
| Present value of minimum lease payments | **3,845** | 4,501 |
| **Present value of payments:** | | |
| - Within one year | **1,273** | 1,183 |
| - Between two to five years | **2,492** | 3,069 |
| - More than five years | **80** | 249 |
| Present value of minimum lease payments | **3,845** | 4,501 |
| Less: Amount due within 12 months | **(1,273)** | (1,183) |
| Amount due after 12 months | **2,572** | 3,318 |

| | Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **%** | **%** |
| Effective interest rates: | | |
| - Finance lease | **3.45** | 3.45 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 28. Borrowings

| | Group 31.12.2015 RM'000 | Group 31.12.2014 RM'000 |
|---|---|---|
| **Current** | | |
| Secured: | | |
| Sukuk Musharakah ("Sukuk") | **749,044** | – |
| Islamic Medium Term Notes ("iMTN") | **55,605** | 55,631 |
| Musharakah Medium Term Notes ("mMTN") | **28,462** | 28,239 |
| | **833,111** | 83,870 |
| **Non-current** | | |
| Secured: | | |
| Islamic Medium Term Notes ("iMTN") | **166,091** | 221,695 |
| Musharakah Medium Term Notes ("mMTN") | **622,860** | 651,321 |
| | **788,951** | 873,016 |
| Unsecured: | | |
| Convertible unsecured loan stocks ("CULS") | **10,911** | 26,923 |
| Total long term borrowings | **799,862** | 899,939 |
| Total borrowings | **1,632,973** | 983,809 |

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

| | Repayment Maturity | Group 31.12.2015 % | Group 31.12.2014 % |
|---|---|---|---|
| Secured | | | |
| Sukuk Musharakah ("Sukuk") | 2015 – 2026 | **8.10** | – |
| Islamic Medium Term Notes ("iMTN") | 2015 – 2019 | **7.28** | 7.28 |
| Musharakah Medium Term Notes ("mMTN") | 2015 – 2029 | **6.30** | 6.30 |
| Unsecured | | | |
| Convertible unsecured loan stock ("CULS") | 2019 | **15.28** | 15.28 |

All loans and borrowings are denominated in Ringgit Malaysia.

## 28. Borrowings (Cont'd.)

| | Group | |
|---|---|---|
| | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
| Maturity of borrowings: | | |
| - Within one year | **833,110** | 83,870 |
| - Between one to two years | **84,441** | 84,067 |
| - Between two to five years | **286,970** | 320,950 |
| - More than five years | **428,452** | 494,922 |
| Total borrowings | **1,632,973** | 983,809 |

### Sukuk Musharakah ("Sukuk")

The Sukuk which was previously issued by a related party, Ranhill Group Sdn. Bhd. ("RGSB") was novated to the Company's wholly-owned subsidiary, Ranhill Capital Sdn. Bhd. ("RCSB") on 10 December 2015, as part of the reverse takeover acquisition of Symphony as disclosed in Note 44.

The Sukuk has a tenure of up to 15 years from 2 June 2011 (date of first issuance) and is issued in 2 tranches as follows:

Tranche 1
RM300,000,000 nominal value comprising of 7 series of annual redemption maturing annually from 2 to 8 years. The Yield-to-Maturity ranges from 3.75% to 4.65% per annum, and is repayable semi-annually.

Tranche 2
RM500,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 9 to 14 years. The Yield-to-Maturity ranges from 4.80% to 5.45% per annum, and is repayable semi-annually.

The Sukuk is secured over the followings:

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of the Company, RCSB and certain related parties;

(ii) a legal charge and assignment of all the rights, benefits and interest of RCSB and certain related parties in and to the designated accounts opened by RCSB and the said related parties;

(iii) assignment (by way of security of) on all rights, title and interest of RCSB in and to any dividend income, advances and capital returns from certain of its subsidiaries and from certain related parties and their subsidiaries and related companies;

(iv) a memorandum of deposit in relation to the charge over shares held by the Company in RCSB, and in Ranhill WorleyParsons Sdn. Bhd. ("RWP") (upon exercise of the call option, if any) and held by certain related parties in their subsidiaries and related companies;

(v) personal guarantee from Tan Sri Hamdan Mohamad; and

(vi) irrevocable and unconditional guarantee by the Company and certain related parties.

## 28. Borrowings (Cont'd.)

**Sukuk Musharakah ("Sukuk") (Cont'd.)**

Major covenants that are required to be complied with are as follows:

(i) RCSB is to maintain a Financial Service Cover Ratio ("FSCR") of not be lower than 2.0 times on a consolidated basis;

(ii) RCSB is to maintain a debt/equity ratio of not more than 1.0 times on a consolidated basis;

(iii) RCSB dividend distribution is not in excess of 90% of current year's profit after tax at the company level;

(iv) RCSB is to maintain a minimum requirement reserve in the Finance Service Reserve Account equivalent to all periodic distributions and guarantee fees which are due and payable within the next 12 months; and

(v) the Group is to comply with a minimum interest cover ratio of 2.0 times on a consolidated basis.

As at 31 December 2015, covenants (ii) and (iv) above have not been complied with by RCSB. However, on the same date, RCSB has been granted an indulgence until 30 April 2016 to comply with these covenants. Subsequent to year end, the indulgence was further extended to 31 July 2016 and 15 September 2016 for covenants (ii) and (iv) respectively. As part of the indulgence, RCSB is currently in discussion with the lender to reassess the appropriate debt to equity ratio in light of the current position of the Group post the reverse takeover acquisition of Symphony House Berhad and the public offering in March 2016.

As the indulgence received as at the end of the reporting period did not cover a period of at least 12 months, the Sukuk is presented as current in the financial statements.

**Islamic Medium Term Notes ("iMTN")**

On 27 June 2005, Ranhill Powertron Sdn. Bhd. ("RPI"), issued RM540,000,000 nominal value of iMTN to refinance its existing Bridging Loan of RM260,000,000 undertaken for the 120MW Open Cycle and RM280,000,000 nominal value of iMTN to finance the construction of the Conversion Cycle Power Plant. The iMTN was issued under the Shariah principal of Bai' Bithaman Ajil. The repayment of the iMTN is on an annual basis from the 3rd year of the date of issuance. The profit contribution margin ranges from 4.9% to 7.7% per annum and is repayable semi-annually.

The iMTN is secured over the following:

(i) a debenture to create a first ranking fixed and floating charge over all present and future assets of RPI;

(ii) an assignment of all the rights, title, interest and benefit of RPI in and to the Sale and Purchase Agreement dated 31 March 1997 entered into between Kota Kinabalu Industrial Park Sdn. Bhd. ("KKIP") and its subsidiary, in respect of the sale of its long term leasehold land;

(iii) a charge and assignment of all the rights, benefit and interest of RPI in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RPI for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms)
- applicable licenses and permits (to the extent that the licenses and permits are assignable and no further consents are required to be obtained for such assignment)
- applicable insurance policies
- performance bonds/guarantees

## 28. Borrowings (Cont'd.)

**Islamic Medium Term Notes ("iMTN") (Cont'd.)**

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

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.75 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 2.25 times is required for declaration of dividend and thereafter a minimum of 2.0 times is required to be maintained;

(iii) to maintain a minimum requirement reserve in FSRA and a Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(iv) cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

The iMTN is on non-recourse basis to its immediate holding company.

**Musharakah Medium Term Notes ("mMTN")**

On 17 June 2011, Ranhill Powertron II Sdn. Bhd. ("RPII"), issued RM710,000,000 nominal value Medium Term Notes ("mMTN") under the Syariah principal of Musharakah. The mMTN was issued for the following purposes:

(a) RM610,000,000 to refinance the existing outstanding loans under the Commodity Murabahah Term Financing-i and Conventional Syndicated Term Loan. The remaining balance after full settlement of the outstanding loans, was used to finance the construction of the power plant in RPII and to fund the Finance Service Reserve Account ("FSRA") as required by the mMTN;

(b) RM90,000,000 as advances to the shareholders of RPII; and

(c) the remaining balance was used to finance all costs and expenses incurred in relation to the mMTN Programme exercise (including the initial guarantee fees) and for working capital requirements.

The mMTN has a tenure of up to 18 years from the date of first issuance and is issued in 2 tranches as follows:

Tranche 1
RM360,000,000 nominal value comprising of 10 series of annual redemption maturing annually from 2 to 11 years. The Yield-to-Maturity ranges from 4.1% to 5.7% per annum, and is repayable semi-annually.

Tranche 2
RM350,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 12 to 18 years. The Yield-to-Maturity ranges from 5.15% to 5.70% per annum, and is repayable semi-annually.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 28. Borrowings (Cont'd.)

**Musharakah Medium Term Notes ("mMTN") (Cont'd.)**

The mMTN is secured over the followings:

Tranche 1

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RPII;

(ii) first assignment and charge of all the Lease Agreement and the lease on the Project land and building excluding switchyard areas and parts which are to be transferred to Sabah Energy Sdn. Bhd. pursuant to the Lease Agreement;

(iii) a charge and assignment of all the rights, benefit and interest of RPII in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RPII for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms).
- applicable licenses and permits (to the extent that the licenses and permits are assignable and no further consents are required to be obtained for such assignment).
- applicable insurance/takaful policies.
- performance bonds and guarantees issued in favour of RPII.
- Any other security as may be advised by the solicitors to the JLAs ("Legal Counsel") and agreed with the Issuer.

Tranche 2

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

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

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.25 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 1.75 times is required for the declaration of dividend and thereafter a minimum of 1.5 times is required to be maintained;

(iii) to maintain a minimum requirement reserve in FSRA and Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(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 base on Subscription Agreement dated 30 April 1997. However, based on the revised Agreement dated May 2009, the CULS has been extended for another 10 years up to 30 June 2019 with other terms and conditions remain unchanged;

(b) Interest is accrued at the rate of 12.5% per annum and is payable in cash on each anniversary date of the CULS but is subject to lenders' requirement and at the discretion of RPI. CULS converted before anniversary date will not be entitled to the annual interest;

## 28. Borrowings (Cont'd.)

**Convertible unsecured loan stocks ("CULS") (Cont'd.)**

The salient features of the CULS issued are as follows: (Cont'd.)

(c) Conversion in part or in whole is allowed before maturity date, subject to adherence to RPI's existing shareholding proportions and the shareholding restrictions. All converted shares will rank pari passu but will not be entitled to dividends declared for the financial year preceding the year of conversion; and

(d) On maturity date, the CULS, if not earlier converted, will be redeemed for its full principal amount together with all unpaid accrued interest.

The equity component of the CULS attributable to owners of the parent as at 31 December 2015 is RM1,063,000 (2014: RM2,657,000).

## 29. Zakat liability

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| At beginning of financial year | **7,942** | 3,947 |
| Charged to profit or loss | **1,619** | 4,874 |
| Zakat paid | **(619)** | (879) |
| At end of financial year | **8,942** | 7,942 |

## 30. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties (Note a) | **300,207** | 259,469 | **–** | – |
| Amounts due to related parties (Note b) | **1,376** | – | **–** | – |
| Retention sum on contracts (Note 22) (Note c) | **2,488** | 3,509 | **–** | – |
| | **304,071** | 262,978 | **–** | – |
| **Non-trade payables** | | | | |
| Other payables | **132,334** | 160,182 | **7,923** | 9,855 |
| Retention sum on contracts (Note 22) (Note c) | **3,781** | 2,991 | **–** | – |
| Amounts due to related parties (Note b) | **21,152** | 92,972 | **1,505** | 1,849 |
| Amounts due to a joint venture (Note b) | **68,407** | 109 | **3,352** | – |
| | **225,674** | 256,254 | **12,780** | 11,704 |
| Total current payables | **529,745** | 519,232 | **12,780** | 11,704 |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 30. Trade and other payables (Cont'd.)

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Non-Current** | | | | |
| **Trade payables** | | | | |
| Retention sum on contracts (Note 22) (Note c) | **911** | 2,054 | **–** | – |
| **Non-trade payables** | | | | |
| Other payables | **3,446** | 4,849 | **–** | – |
| Total non-current payables | **4,357** | 6,903 | **–** | – |
| Total trade and other payables | **534,102** | 526,135 | **12,780** | 11,704 |
| Add: Finance lease liabilities (Note 27) | **3,845** | 4,501 | **–** | – |
| Add: Borrowings (Note 28) | **1,632,973** | 983,809 | **–** | – |
| Add: Service concession obligations (Note 32) | **711,235** | – | **–** | – |
| Total financial liabilities carried at amortised cost | **2,882,155** | 1,514,445 | **12,780** | 11,704 |

**(a) Trade payables**

Credit terms of trade payables granted to the Group vary from 30 to 365 days (2014: 30 to 365 days).

**(b) Amounts due to related parties and a joint venture**

These amounts are unsecured, interest free and repayable on demand.

**(c) Retention sums payables**

Retention sums on contracts are payable upon the expiry of the defects liability period of the construction contract. Retention sums are unsecured, interest-free and are expected to be paid within 1 to 2 years.

### 31. Other current liability

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Amounts due to customers on contract work (Note 23) | **302** | 8,295 |

## 32. Service concession obligations

| | Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| | **RM'000** | **RM'000** |
| **Minimum lease payments:** | | |
| - Within one year | **412,528** | – |
| - Between two to five years | **328,074** | – |
| Total minimum lease payments | **740,602** | – |
| Less: Future finance charges | **(29,367)** | – |
| Present value of minimum lease payments | **711,235** | – |
| **Present value of payments:** | | |
| - Within one year | **390,962** | – |
| - Between two to five years | **320,273** | – |
| Present value of minimum lease payments | **711,235** | – |
| Less: Amount due within 12 months | **(390,962)** | – |
| Amount due after 12 months | **320,273** | – |

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

As disclosed in Note 14, the Third Operating Period commenced with effect from 1 January 2015. Accordingly, there is no service concession obligations being recognised for the Third Operating Period as at 31 December 2014.

The weighted average effective interest rates per annum for the lease rental payable as at reporting date is 4.45% (2014: 4.45%).

## 33. Consumer deposits

Consumer deposits include deposits assumed from Syarikat Air Johor Sdn. Bhd. ("SAJSB"), the former water operator pursuant to the Concession Agreement amounting to RM70,407,920 (2014: RM70,407,920).

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 (Note 20).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 34. Share capital

| | Number of ordinary shares of RM1.00 each | | Amount | |
|---|---|---|---|---|
| | **31.12.2015 '000** | **31.12.2014 '000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Group and Company** | | | | |
| **Authorised** | | | | |
| At 1 January/28 April 2014 (Date of incorporation) | **400** | 400 | **400** | 400 |
| Created during the year (Note a) | **1,999,600** | – | **1,999,600** | – |
| At 31 December | **2,000,000** | 400 | **2,000,000** | 400 |
| **Issued and fully paid up** | | | | |
| At 1 January/28 April 2014 (Date of incorporation) | **#** | # | **##** | ## |
| Issued during the year (Note b): | | | | |
| - Acquisition of subsidiaries | **555,120** | – | **555,120** | – |
| - Settlement of debts | **10,875** | – | **10,875** | – |
| At 31 December | **565,995** | # | **565,995** | ## |

# Represents 2 ordinary shares.
## Represents RM2.

(a) On 2 April 2014, the Company increased its authorised share capital from 400,000 ordinary shares of RM1.00 each to 2,000,000,000 ordinary shares of RM1.00 each by the creation of 1,999,600,000 new ordinary shares of RM1.00 each.

(b) During the financial year, the Company increased its issued and paid-up ordinary share capital from RM2 to RM565,994,967 by way of issuance of 565,994,965 ordinary shares of RM1.00 each at an issue price of RM1.60 per share as part of the consideration for the reverse takeover acquisition of Symphony House Berhad as disclosed in Note 44 to the financial statements.

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

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

### 35. Share premium

Share premium comprises the premium paid on the issuance of 565,994,965 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share as part of the consideration for the reverse takeover acquisition of Symphony House Berhad as disclosed in Note 44.

## 36. Other reserves

| | Group 31.12.2015 RM'000 | Group 31.12.2014 RM'000 |
|---|---|---|
| Merger (deficit)/reserve (Note a) | **(906,015)** | 501,882 |
| Currency translation reserve (Note b) | **25,809** | 7,689 |
| Equity component of convertible unsecured loan stocks ("CULS") (Note c) | **1,063** | 2,657 |
| | **(879,143)** | 512,228 |

### (a) Merger (deficit)/reserve

| | Group 31.12.2015 RM'000 | Group 31.12.2014 RM'000 |
|---|---|---|
| At 1 January | **501,882** | 573,882 |
| Redemption of redeemable convertible non-cumulative preference shares | **–** | (72,000) |
| Cost of combination for the RTO | **(1,407,897)** | – |
| At 31 December | **(906,015)** | 501,882 |

This represents the difference between the consideration transferred and the equity acquired arising from the completion of the RTO acquisition on 15 December 2015 as detailed in Note 44.

### (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 37. Dividends

Dividends paid by subsidiaries prior to combination are as follows:

| | | | Amount of dividends, net of tax | |
|---|---|---|---|---|
| | **31.12.2015** | **31.12.2014** | **31.12.2015** | **31.12.2014** |
| | **sen** | **sen** | **RM'000** | **RM'000** |
| **Group** | | | | |
| - Interim dividend on 100,000,000 ordinary shares | **82.88** | 45.99 | **82,875** | 45,990 |
| - Interim dividend on 10,000,000 ordinary shares | **12.00** | 774.00 | **12,000** | 77,400 |
| - Interim dividend on 10,000,000 ordinary shares | **31.00** | – | **31,000** | – |
| - Interim dividend on 500,000 ordinary shares | **–** | 1,125.00 | **–** | 5,625 |
| - Interim dividend on 500,000 ordinary shares | **–** | 446.80 | **–** | 2,234 |
| - Interim dividend on 750,000 ordinary shares | **3,554.67** | 160.00 | **26,660** | 1,200 |
| | | | **152,535** | 132,449 |

### 38. Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

#### (a) Transactions with related parties

The related parties and their relationship with the Group are as follows:

| **Related parties** | **Relationship** |
|---|---|
| Ranhill Energy and Resources Sdn. Bhd. | Director's related corporation. |
| Ranhill Group Sdn. Bhd. | A wholly owned subsidiary of Ranhill Energy and Resources Sdn. Bhd. |
| Sabah Energy Corporation Sdn. Bhd. | Corporate shareholder of partially owned subsidiaries |
| Ranhill Utilities Sdn. Bhd. | A wholly owned subsidiary of Ranhill Group Sdn. Bhd. |
| RB Ventures Sdn. Bhd. | A wholly owned subsidiary of Ranhill Group Sdn. Bhd. |
| Premier Almagamated Sdn. Bhd. | Corporate shareholder of partially owned subsidiaries |
| Ranhill Water Technologies Sdn. Bhd. | A wholly owned subsidiary of Ranhill Water Technologies (Cayman) Ltd. |

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..

## 38. Significant related party disclosures (Cont'd.)

### (a) Transactions with related parties (Cont'd.)

| | Group | |
|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| **(i) Work performed on infrastructure assets and consultancy fees charged by:** | | |
| - Ranhill Water Technologies Sdn. Bhd. | **(141)** | (27) |
| **(ii) Rental of office charged to/(by):** | | |
| - RB Ventures Sdn. Bhd. | **(256)** | (702) |
| - Ranhill Utilities Sdn. Bhd. | **429** | – |
| - Ranhill Water Technologies Sdn. Bhd. | **89** | – |
| **(iii) Management services rendered from:** | | |
| - Ranhill Group Sdn. Bhd. | **(1,458)** | (1,530) |
| - Ranhill Utilities Sdn. Bhd. | **(8,935)** | (3,180) |
| **(iv) Borrowings and interest payable to:** | | |
| - Sabah Energy Corporation Sdn. Bhd. | **(1,450)** | (1,450) |
| - Ranhill Group Sdn. Bhd. | **(1,994)** | (2,175) |

### (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 | |
|---|---|---|---|---|
| | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** | **1.1.2015 to 31.12.2015 RM'000** | **1.1.2014 to 31.12.2014 RM'000** |
| Short-term employee benefits | **11,861** | 9,971 | **888** | – |
| Contributions to defined contribution plan | **1,522** | 1,179 | **95** | – |
| Fees and other emoluments | **902** | 439 | **58** | – |
| | **14,285** | 11,589 | **1,041** | – |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 39. Commitments

#### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Approved and contracted for | **330** | – |
| Approved but not contracted for | **2,216** | 441 |
| | **2,546** | 441 |
| **Analysed as follows:** | | |
| Plant and machineries | **2,546** | 441 |

#### (b) Operating lease commitments – as lessee

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

| | Group | |
|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| **Non-cancellable rental commitments** | | |
| Future minimum rentals payable: | | |
| - Within one year | **3,680** | 825 |
| - Between one and five years | **3,314** | 206 |
| | **6,994** | 1,031 |

#### (c) Finance lease commitments – as lessee

The Group has finance leases for certain items of plant and equipment as disclosed in Note 13 to the financial statements.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 27.

#### (d) Finance lease commitments – as lessor

The Group has a finance lease for a power station of which the future minimum lease receivables together with the present value of the net minimum lease receivables are disclosed in Note 16.

## 40. Fair value of financial instruments

### A. Financial instruments that are measured at fair value

The Group uses the following hierarchy for determining the fair values of all financial instruments carried at fair value:

Level 1
Quoted market prices in an active market.

Level 2
Valuation inputs (other than Level 1 input) that are based on observable market data for the asset or liability, whether directly or indirectly.

Level 3
Valuation inputs that are not based on observable market data.

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2015** | | | | |
| Financial assets | | | | |
| - Islamic Managed Funds | **–** | **13,490** | **–** | **13,490** |
| - Deposits with other financial instituition | **–** | **2,168** | **–** | **2,168** |
| - Unit trusts | **–** | **3,284** | **–** | **3,284** |
| | **–** | **18,942** | **–** | **18,942** |
| **Group** | | | | |
| **31 December 2014** | | | | |
| Financial assets | | | | |
| - Islamic Managed Funds | – | 20,592 | – | 20,592 |
| - Deposits with other financial instituition | – | 2,021 | – | 2,021 |
| - Managed Funds | – | 3,217 | – | 3,217 |
| | – | 25,830 | – | 25,830 |

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 40. Fair value of financial instruments (Cont'd.)

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

| | Note | Carrying amount RM'000 | Fair value RM'000 |
|---|---|---|---|
| **Group** | | | |
| **31 December 2015** | | | |
| **Non-current** | | | |
| **Financial asset** | | | |
| Finance lease receivable | 16 | **593,618** | **570,620** |
| **Financial liabilities** | | | |
| Islamic Medium Term Notes ("iMTN") | 28 | **166,091** | **148,204** |
| Musharakah Medium Term Notes ("mMTN") | 28 | **622,860** | **404,390** |
| **Current** | | | |
| Sukuk Musharakah ("Sukuk") | 28 | **749,044** | **634,711** |
| **Group** | | | |
| **31 December 2014** | | | |
| **Non-current** | | | |
| **Financial asset** | | | |
| Finance lease receivable | 16 | 631,700 | 607,128 |
| **Financial liabilities** | | | |
| Islamic Medium Term Notes ("iMTN") | 28 | 221,695 | 191,409 |
| Musharakah Medium Term Notes ("mMTN") | 28 | 651,321 | 409,575 |

### 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 fair values of the loans and borrowings, including convertible unsecured loan stocks are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

## 41. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Group and the Company review and agree 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 and of the Company.

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 and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company'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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise 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 and the Company's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company'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 20.

Credit risk concentration profile

The Group and the Company determine 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 and the Company's trade and other receivables at the reporting date are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **RM'000** | **% of total** | **RM'000** | **% of total** |
| **31 December 2015** | | | | |
| Malaysia | **275,932** | **68%** | **22,684** | **100%** |
| Cayman Island | **130,603** | **32%** | **–** | **–** |
| | **406,535** | **100%** | **22,684** | **100%** |
| **31 December 2014** | | | | |
| Malaysia | 275,605 | 87% | 4,394 | 100% |
| Cayman Island | 41,340 | 13% | – | – |
| | 316,945 | 100% | 4,394 | 100% |

At the reporting date, approximately:

- 26% (2014: 26%) of the Group's trade receivables were due from electricity revenue customers.
- 74% (2014: 74%) of the Group's trade receivables were due from water revenue customers.
- 40% (2014: 23%) of the Group's trade and other receivables were due from related parties, joint venture and holding company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 41. Financial risk management objectives and policies (Cont'd.)

#### (a) Credit risk (Cont'd.)

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 20. 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 20.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company'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 2015** | | | | |
| **Group** | | | | |
| Trade and other payables | **529,745** | **911** | **4,000** | **–** |
| Finance lease payables | **1,431** | **1,353** | **1,288** | **83** |
| Borrowings | **845,000** | **85,000** | **289,000** | **440,000** |
| **Total undiscounted financial liabilities** | **1,376,176** | **87,264** | **294,288** | **440,083** |
| **Company** | | | | |
| Trade and other payables, representing total undiscounted financial liabilities | **12,780** | **–** | **–** | **–** |
| **At 31 December 2014** | | | | |
| **Group** | | | | |
| Trade and other payables | 519,232 | 2,054 | 6,000 | – |
| Finance lease payables | 1,372 | 1,346 | 1,951 | 253 |
| Borrowings | 85,000 | 85,000 | 350,923 | 490,000 |
| **Total undiscounted financial liabilities** | 605,604 | 88,400 | 358,874 | 490,253 |
| **Company** | | | | |
| Trade and other payables, representing total undiscounted financial liabilities | 11,704 | – | – | – |

## 41. Financial risk management objectives and policies (Cont'd.)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from loans and borrowings.

The Group's and the Company'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 and the Company have 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 and the Company'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 RM354,000 higher/lower, arising mainly as a result of higher/lower interest income from floating rate deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company is not materially exposed to any foreign exchange risk as it operates mainly in Malaysia and all transactions, monetary assets and liabilities are denominated in Ringgit Malaysia.

## 42. Capital management

The primary objective of the Group's and the Company's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year/period ended 31 December 2015 and 31 December 2014.

As disclosed in Note 28, three subsidiaries of the Group are required to maintain certain debt/equity ratio, to comply with the terms of the covenants in the borrowings. These externally imposed capital requirement have been complied by the subsidiaries except for Ranhill Capital Sdn. Bhd., for the financial years ended 31 December 2015 and 31 December 2014. However, RCSB has been granted a temporary indulgence on the aforementioned breach by the creditors until 30 April 2016. As the indulgence received as at the end of the reporting period did not cover a period of at least 12 months, the Sukuk is presented as current in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2015

## 43. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year (net of tax) attributable to equity holders of the Company, by the number of ordinary shares outstanding during the financial year.

The Company has no potential ordinary shares and therefore, diluted earnings per share is the same as basic earnings per share. The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

| | Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| Net profit attributable to ordinary shares (RM'000) | **22,345** | 90,783 |
| Number of enlarged ordinary shares ('000) | **565,995** | 565,995 |
| Basic/diluted earnings per ordinary share (cents) | **4** | 16 |

## 44. Significant events

Reverse takeover acquisition ("RTO")

In conjunction with and as an integral part of the Company's listing on the Main Market of Bursa Securities, the following transactions were undertaken by the Company:

(i) On 20 June 2014 the Company and Symphony House Berhad ("Symphony"), entered into a scheme of arrangement (including a supplemental agreement dated 28 November 2014) for the exchange of the entire issued and paid-up ordinary shares of RM0.10 each in Symphony for the Company's shares on the basis of 1 of the Company's shares for every 10 existing Symphony shares held. ("Scheme of Arrangement")

(ii) On 20 June 2014, the Company entered into a Share Sale Agreement ("SSA") with Ranhill Group Sdn. Bhd. ("RGSB") (including a supplemental share sale agreement dated 28 November 2014) for the Company to acquire 60% equity interest in Ranhill Powertron Sdn. Bhd. and Ranhill Power O&M Sdn. Bhd., 80% equity interest in Ranhill Powertron II Sdn. Bhd. and Ranhill Power II O&M Sdn. Bhd. and 100% equity interest in Ranhill Power Services Sdn. Bhd. (collectively "RGSB Companies"), representing RGSB's entire shareholding in the RGSB Companies for a total purchase consideration of RM107,000,000, to be satisfied by the issuance of 66,875,000 new shares of the Company at an issue price of RM1.60 per share. ("RGSB Companies Acquisition")

Upon completion of the RGSB Companies Acquisition, Ranhill Capital Sdn. Bhd. ("RCSB"), a wholly-owned subsidiary of the Company assumed the Sukuk which is an existing RM800 million Islamic Medium Term Notes ("iMTN") duly issued by RGSB and constituted by a trust deed dated 22 April 2011 ("Transfer of Sukuk"). The Transfer of Sukuk is to be effected via a novation of the Sukuk by RGSB to RCSB, based on the terms to be agreed between the Guarantors of the Sukuk and RGSB.

(iii) On 20 June 2014, the Company entered into a SSA with Ranhill Utilities Sdn. Bhd. ("RUSB") (including a supplemental share sale agreement dated 28 November 2014) for the Company to acquire 80% equity interest in SAJ Holdings Sdn. Bhd., 52.1% equity interest in Ranhill Water Technologies (Cayman) Limited ("RWT (Cayman)") and 100% equity interest in Ranhill Water Services Sdn. Bhd. (collectively "RUSB Companies"), representing RUSB's entire shareholding in the RUSB Companies for a total purchase consideration of RM693,000,000, to be satisfied by the issuance of 433,125,000 new shares of the Company at an issue price of RM1.60 per share. ("RUSB Companies Acquisition")

## 44. Significant events (Cont'd.)

(iv) On 20 June 2014, the Company entered into a SSA with Stone Equity Sdn. Bhd. for the Company to sell all the equity interest in Symphony through a management buy-out ("MBO"), after completion of the Proposed Scheme of Arrangement, for a cash consideration of RM60,000,000.

(v) The Company has entered into a Call Option Agreement with RGSB whereby RGSB grants the Company the option to acquire RGSB's entire 51.0% equity interest in RWorley ("Options Shares") at a call option price which shall be mutually determined by the Company and RGSB upon the conclusion of the due diligence carried out on RWorley by the Company ("RWorley Call Option"). The call option is exercisable within a period of 3 to 18 months from the completion of the Offering. The call option price shall be satisfied partly in cash and partly by the issuance and allotment of the Company's shares to RGSB (or its nominees) on completion, at an issue price and in a proportion to be mutually agreed between the Company and RGSB upon the exercise of the RWorley Call Option.

The Scheme of Arrangement, RGSB Companies Acquisition (including the Transfer of Sukuk) and RUSB Companies Acquisition are collectively referred to as the Reverse Takeover Acquisition ("RTO"). The RTO was completed on 15 December 2015 and the Company assumed the listing status from Symphony House Berhad on 16 December 2015.

## 45. Subsequent event

(i) On 16 March 2016, the Company completed a public offering for 322,320,800 new ordinary shares of RM1.00 each and an offer for sale of 100,000,000 existing ordinary shares of RM1.00 each at an institutional and final retail price of RM1.20 per share.

The enlarged issued and paid-up share capital of the Company of RM888,315,767 comprising 888,315,767 ordinary shares of RM1.00 each was listed on the Main Market of Bursa Securities on 16 March 2016.

As disclosed in Note 20(d), the deferred transaction costs will be written off against the share premium arising from the above issuance of new ordinary shares.

(ii) On 23 March 2016, a subsidiary, Ranhill Powertron Sdn. Bhd. ("RPI") entered into a loan agreement with another subsidiary, Ranhill Capital Sdn. Bhd. ("RCSB") to obtain an advance of RM220,000,000 at an annual interest rate of 3.24%.

On 30 March 2016, RPI utilised this advance to fully redeem its outstanding Islamic Medium Term Note ("iMTN") with a nominal value of RM220,000,000.

## 46. Comparatives

The Company was incorporated on 28 April 2014. Accordingly, the comparatives for statement of comprehensive income, statement of cash flows, statement of changes in equity and their related notes are not comparable.

As disclosed in Note 2.1, the continuation and combination of Ranhill Entities via the Company are accounted for using the pooling of interest method. Arising from such method, the comparatives of the Group are presented as if the entities had always been combined from the beginning of the earliest period presented in the financial statements. Such comparatives are not audited as the combined group was not in existence in the previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 47. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has reportable segment as follows:

(i) The environment sector provides water supply services, operate water and wastewater treatment plants and provide specialised services in the management and optimisation of water utility assets. In this sector, the Group has been granted exclusive license (on a 3-year term, renewable for successive 3-year terms on a rollover basis) by the Minister of Energy, Green Technology and Water, Malaysia to provide source-to-tap water supply services to end customers in the entire state of Johor, Malaysia. In addition, the Group also has various water and wasterwater concessions in relation to water treatment and wastewater treatment plants outside Malaysia via its joint venture.

(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 380MV 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.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of it business units separately for the purpose of making decisions about resource allocation and performance assessment.

### 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 2015** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 1,011,182 | 303,467 | 1,099 | | 1,315,748 |
| Inter-segment elimination | – | – | (627) | | (627) |
| | 1,011,182 | 303,467 | 472 | | 1,315,121 |
| **Results:** | | | | | |
| Gross profit/(loss) | 260,262 | 88,138 | (413) | | 347,987 |
| Interest income | 4,998 | 56,880 | 26 | | 61,904 |
| Depreciation | 25,531 | 20,410 | 2 | | 45,943 |
| Amortisation | 302,392 | – | – | | 302,392 |
| Share of profit of a joint venture | 16,474 | – | – | | 16,474 |
| Other non-cash items | 37,564 | (48,830) | 45,592 | A | 34,326 |
| Segment profit/(loss) | 94,213 | 33,269 | (76,187) | | 51,295 |
| **Assets:** | | | | | |
| Additions to non-current assets | 941,269 | 738 | 120 | B | 942,127 |
| Segment assets | 1,858,483 | 1,539,680 | 195,353 | | 3,593,516 |
| Segment liabilities | 1,386,405 | 991,377 | 831,450 | | 3,209,232 |

## 47. Segmental information (Cont'd.)

### Business Segments (Cont'd.)

| | Environment RM'000 | Power RM'000 | Others RM'000 | Note | Total RM'000 |
|---|---|---|---|---|---|
| **31 December 2014** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 933,530 | 360,812 | – | | 1,294,342 |
| **Results:** | | | | | |
| Gross profit | 230,052 | 114,894 | – | | 344,946 |
| Interest income | 3,549 | 59,438 | – | | 62,987 |
| Depreciation | 24,907 | 20,368 | – | | 45,275 |
| Amortisation | 257,787 | – | – | | 257,787 |
| Share of profit of a joint venture | 9,088 | – | – | | 9,088 |
| Other non-cash items | 12,340 | (51,375) | – | A | (39,035) |
| Segment profit/(loss) | 80,434 | 54,007 | (7,331) | | 127,110 |
| **Assets:** | | | | | |
| Additions to non-current assets | 30,641 | 681 | – | B | 31,322 |
| Segment assets | 1,231,491 | 1,626,368 | 4,394 | | 2,862,253 |
| Segment liabilities | 714,419 | 1,106,714 | 11,725 | | 1,832,858 |

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

| | Note | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|---|
| Finance lease income | 6 | **(48,830)** | (51,375) |
| Unwinding of interest of service concession obligations | 8 | **34,442** | 10,180 |
| Allowance for doubtful debts | 9 | **2,083** | 1,302 |
| Loss on disposal of investment | 9 | **45,592** | – |
| Provision for liquidated ascertained damages | 9 | **1,039** | 858 |
| | | **34,326** | (39,035) |

B Additions to material non-current assets consist of:

| | Note | 31.12.2015 RM'000 | 31.12.2014 RM'000 |
|---|---|---|---|
| Property, plant and equipment | 13 | **41,976** | 30,116 |
| Service concession assets | 14 | **900,093** | – |
| Intangibles - softwares | 15 | **58** | 1,206 |
| | | **942,127** | **31,322** |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 48. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2015 and 31 December 2014 into realised profits and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **31.12.2015 RM'000** | **31.12.2014 RM'000** | **31.12.2015 RM'000** | **31.12.2014 RM'000** |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - Realised | **145,491** | 232,933 | **(66,169)** | (7,310) |
| - Unrealised | **170,035** | 201,911 | **–** | – |
| | **315,526** | 434,844 | **(66,169)** | (7,310) |
| Total share of retained earnings of the joint venture | | | | |
| - Realised | **71,590** | 56,382 | **–** | – |
| - Unrealised | **(1,194)** | (2,413) | **–** | – |
| | **70,396** | 53,969 | **–** | – |
| Less: consolidation adjustments | **(239,503)** | (189,079) | **–** | – |
| Total retained earnings | **146,419** | 299,734 | **(66,169)** | (7,310) |

# PROPERTIES OWNED BY OUR GROUP

As at 31 December 2015

| 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 Dec 2015 |
|---|---|---|---|---|---|---|---|
| | | | | | | | (RM'000) |
| 1. | RPI<br><br>(Country Lease: 015605213)<br><br>No. 3, Lorong ID KKIP Selatan, Industrial Zone 3 (IZ3), Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah, Malaysia<br><br>Leasehold from 1 January 2003 to 31 December 2101 | Description of property<br>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).<br><br>Existing use<br>The land is currently being used by RPI for its power plant. | 8 July 2010 | 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.<br><br>(ii) Subdivision of the title is prohibited without the written permission from the Director of Lands and Surveys Department.<br><br>(iii) Transfer, sublease and charge of the title is prohibited without the written permission from the Director of Lands and Surveys Department. | The property has been charged to Malaysian Trustee Berhad as security for the IMTN issued by RPI | 14,014 |

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2016

| | |
|---|---|
| Authorised Share Capital | : RM2,000,000,000.00 |
| Issued and Paid-up Capital | : RM888,315,767.00 |
| Type of shares | : Ordinary Shares of RM1.00 each |
| Voting Rights | : One vote per ordinary share |

## DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

| | | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|---|
| No. | Name of Directors | No. of Shares | % | No. of Shares | % |
| 1. | Tan Sri Azman Yahya | 1,500,000 | 0.17 | 24,159,400 | 2.72 |
| 2. | Tan Sri Hamdan Mohamad | – | – | 297,610,098* | 33.50 |
| 3. | Dato Sri Lim Haw Kuang | – | – | – | – |
| 4. | Datuk Seri Saw Choo Boon | – | – | – | – |
| 5. | Datuk Dr. Nik Norzrul Thani Nik Hassan Thani | – | – | – | – |
| 6. | Dato' Zulkifli Ibrahim | 150,000 | 0.017 | – | – |
| 7. | Lim Hun Soon @ David Lim | – | – | – | – |
| 8. | Abu Talib Abdul Rahman | 150,000 | 0.017 | – | – |
| 9. | Ritzlan Halim | – | – | – | – |

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

## DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2016

| Shareholding | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 5,830 | 36.96 | 151,612 | 0.02 |
| 100 to 1,000 | 4,560 | 28.91 | 1,917,362 | 0.22 |
| 1,001 to 10,000 | 4,208 | 26.68 | 16,072,752 | 1.81 |
| 10,001 to 100,000 | 1,021 | 6.47 | 29,935,117 | 3.37 |
| 100,001 to less than 5% of issued shares | 147 | 0.93 | 228,018,387 | 25.67 |
| 5% and above of issued shares | 6 | 0.04 | 612,220,537 | 68.92 |
| **Total** | **15,772** | **100.00** | **888,315,767** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

| Name | Direct Interest No. of Shares | % | Indirect Interest No. of Shares | % |
|---|---|---|---|---|
| Cheval Infrastructure Fund LP (acting via its general partner, TAEL Management Co. (Cayman) Ltd) | 181,228,777 | 20.40 | – | – |
| Lambang Optima Sdn Bhd | 219,537,594 | 24.71 | – | – |
| Ranhill Corporation Sdn Bhd | 65,830,466 | 7.41 | – | – |
| Hamdan Inc. (Labuan) Pte. Ltd | 12,242,038 | 1.38 | [1]285,368,060 | [1]32.12 |
| Hamdan (L) Foundation | – | – | [2]285,368,060 | [2]32.12 |
| Tan Sri Hamdan Mohamad | – | – | [3]297,610,098* | [3]33.50 |
| Permodalan Darul Ta'zim Sdn Bhd | 94,100,000 | 10.59 | – | – |
| Perbadanan Setiausaha Kerajaan Johor (The State Secretary Johore Incorporated) | – | – | [4]94,100,000 | [4]10.59 |
| State Government of Johor | – | – | [5]94,100,000 | [5]10.59 |
| Lembaga Tabung Haji | 51,523,700 | 5.80 | – | – |

*Notes:*

(1) *Deemed interested by virtue of its direct interests in Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

(2) *Deemed interested by virtue of its interests in Hamdan Inc. (Labuan) Pte. Ltd, Lambang Optima Sdn Bhd and Ranhill Corporation Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

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

(4) *Deemed interested by virtue of its direct interests in Permodalan Darul Ta'zim Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

(5) *Deemed interested by virtue of its interests in Permodalan Darul Ta'zim Sdn Bhd and State Secretary Johore Incorporated pursuant to Section 6A of the Companies Act, 1965.*

## ANALYSIS OF SHAREHOLDINGS

As at 31 March 2016

### LIST OF TOP 30 SHAREHOLDERS

| No. | Name | Shareholdings | Percentage (%) |
|---|---|---|---|
| 1. | UOBM NOMINEES (ASING) SDN BHD<br>CHEVAL INFRASTRUCTURE FUND LP | 181,228,777 | 20.40 |
| 2. | UOBM NOMINEES (TEMPATAN) SDN BHD<br>LAMBANG OPTIMA SDN BHD | 126,957,511 | 14.29 |
| 3. | PERMODALAN DARUL TA'ZIM SDN BHD | 94,100,000 | 10.59 |
| 4. | LAMBANG OPTIMA SDN BHD | 92,580,083 | 10.42 |
| 5. | RANHILL CORPORATION SDN BHD | 65,830,466 | 7.41 |
| 6. | LEMBAGA TABUNG HAJI | 51,523,700 | 5.80 |
| 7. | CARTABAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENT ACCOUNT) | 25,000,000 | 2.81 |
| 8. | MIDF AMANAH INVESTMENT BANK BERHAD<br>IVT FOR MIDF AMANAH INVESTMENT BANK BERHAD<br>(ACCOUNT 2) | 24,671,300 | 2.78 |
| 9. | YPJ CORPORATION SDN BHD | 20,041,633 | 2.26 |
| 10. | CARTABAN NOMINEES (ASING) SDN BHD<br>BCSL CLIENT AC PB CAYMAN CLIENTS | 19,000,000 | 2.14 |
| 11. | HAMDAN INC. (LABUAN) PTE LTD | 12,242,038 | 1.38 |
| 12. | ABB NOMINEE (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR VIRTUOSO CAPITAL<br>SDN BHD | 11,500,000 | 1.29 |
| 13. | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>CORSTON-SMITH ASSET MANAGEMENT SDN BHD FOR<br>CORSTON-SMITH ASEAN CORPORATE GOVERNANCE FUND | 10,833,300 | 1.22 |
| 14. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CRST SM ESG) | 10,000,000 | 1.13 |
| 15. | LEMBAGA TABUNG ANGKATAN TENTERA | 10,000,000 | 1.13 |
| 16. | AFFIN HWANG INVESTMENT BANK BERHAD<br>IVT (000) FOR INVESTMENT | 8,606,200 | 0.97 |

| No. | Name | Shareholdings | Percentage (%) |
|---|---|---|---|
| 17. | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR BOLTON BERHAD<br>(49365 JPLE–0DRC2) | 7,469,700 | 0.84 |
| 18. | RHB INVESTMENT BANK BERHAD IVT (ECM) | 4,915,800 | 0.55 |
| 19. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK FOR PERBADANAN USAHAWAN JOHOR SDN BHD<br>(MH5330) | 4,790,000 | 0.54 |
| 20. | PERTUBUHAN PELADANG KEBANGSAAN | 3,000,000 | 0.34 |
| 21. | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK JULIUS BAER & CO LTD (SINGAPORE BCH) | 2,626,803 | 0.30 |
| 22. | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR CIMB TRUSTEE BERHAD (TRI032) | 2,500,000 | 0.28 |
| 23. | VIRTUOSO CAPITAL SDN BHD | 2,500,000 | 0.28 |
| 24. | MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD | 2,102,100 | 0.24 |
| 25. | MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD | 1,709,800 | 0.19 |
| 26. | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>AMTRUSTEE BERHAD FOR<br>PACIFIC DIVIDEND FUND (UT-PM-DIV) | 1,570,000 | 0.18 |
| 27. | MOHAMED AZMAN BIN YAHYA | 1,500,000 | 0.17 |
| 28. | UOBM NOMINEES (TEMPATAN) SDN BHD<br>UOB ASSET MANAGEMENT (MALAYSIA) BERHAD<br>FOR GIBRALTAR BSN LIFE BERHAD (PAR FUND) | 1,476,500 | 0.17 |
| 29. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR MAYBANK ISLAMIC ASSET MANAGEMENT SDN BHD<br>(RESIDENT) (475391) | 1,420,000 | 0.16 |
| 30. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD<br>(RESIDENT) | 1,312,100 | 0.15 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **Second Annual General Meeting (AGM)** of Ranhill Holdings Berhad (Ranhill or the Company) will be convened and held at the Ballroom Room 2 & 3, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on **Wednesday, 1 June 2016 at 10.00 a.m.** to transact the following business :-

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' and Auditors' Reports thereon. (**Note A**)

2. To approve the payment of Directors' Fees of RM339,165.00 for the financial year ended 31 December 2015. (Ordinary Resolution 1)

3. To re-elect Tan Sri Azman Yahya who retires in accordance with Article 101 of the Company's Articles of Association. (Ordinary Resolution 2)

4. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:-

   a) Tan Sri Hamdan Mohamad (Ordinary Resolution 3)
   b) Mr Lim Hun Soon @ David Lim (Ordinary Resolution 4)
   c) Datuk Dr. Nik Norzrul Thani Nik Hassan Thani (Ordinary Resolution 5)
   d) Dato' Zulkifli Ibrahim (Ordinary Resolution 6)
   e) Encik Abu Talib Abdul Rahman (Ordinary Resolution 7)
   f) Encik Ritzlan Halim (Ordinary Resolution 8)

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 9)

### As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions:-

6. **Proposed Payment of Directors' Fee**

   "THAT the payment of Directors' fees not exceeding RM1,700,000.00 for each financial year commencing from the financial year ending 31 December 2016 be and is hereby approved." (Ordinary Resolution 10)

7. **Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965**

   "THAT, subject always to the Companies Act, 1965 (the Act), the Company's Articles of Association and the approvals of the relevant Government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Act to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being, and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Ordinary Resolution 11)

8. **Proposed Shareholders' Ratification and Shareholders' Mandate for Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature (Proposed Mandate)**

"THAT all RRPT of a revenue or trading nature entered into by the Company, and/or its subsidiaries with the Related Parties from the date of listing of the Company, i.e. 16 December 2015 up to the date of the Second (2nd) Annual General Meeting (AGM) were undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which were not more favourable to the Related Parties than those generally available to the public and were not detrimental to the minority shareholders of the Company, particulars of which are set out in item 2.4 of the Circular to Shareholders dated 3 May 2016 (Circular), be and are hereby approved, confirmed and ratified;

"THAT authority be and is hereby given in line with Para 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company and/or its subsidiaries to enter into RRPT of a revenue or trading nature with those Related Parties as set out in item 2.4 of the Circular which are necessary for Ranhill Group's day-to-day operations in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders;

AND THAT such approval shall take effect immediately upon the passing of this ordinary resolution and continue to be in force until:

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the Act) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorised by this resolution." (Ordinary Resolution 12)

9. To transact any other business of which due notice shall have been given.

ON BEHALF OF THE BOARD

LAU BEY LING (MAICSA 7001523)
LEONG SHIAK WAN (MAICSA 7012855)

Company Secretaries
Kuala Lumpur
3 May 2016

## NOTICE OF ANNUAL GENERAL MEETING

**NOTES:**

1. A member shall not, subject to paragraphs 2 and 3 below, be entitled to appoint more than two (2) proxies to attend and vote at the same Meeting. 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 specifies the proportion of his shareholding to be represented by each proxy. A proxy or Attorney need not be a Member of the Company and a Member may appoint any person to be his proxy and the provisions of Section 149(1)(a) and (b) of the Act shall not apply.
2. A member who is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991 (SICDA) 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.
3. 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.
4. 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.
5. 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.
6. **The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.**

**Members Entitled to Attend**

In respect of deposited securities, only members whose names appear in the Record of Depositors on **24 May 2016** shall be entitled to attend, speak and vote at the Second Annual General Meeting.

**Explanatory Note on Ordinary Business**

**Note A**

The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with the provisions of Section 169(1) of the Act, and it does not require a formal approval of the shareholders. Hence, this agenda will not be put forward for voting.

**Explanatory Note on Special Business**

**Ordinary Resolution 10 - Proposed Payment of Directors' Fees**

The proposed ordinary resolution 10, if passed, will empower the Company to pay directors' fees not exceeding RM1,700,000.00 for each financial year commencing from the year ending 31 December 2016 pursuant to Article 87 of the Articles of Association of the Company.

The Company has assumed its listing status with effect from 16 December 2015 following the completion of the reverse takeover of Symphony House Berhad. Prior to that, four (4) new Non-Executive Directors were appointed on 1 December 2015. Currently, the Board comprises seven (7) Non-Executive Directors including our Chairman. The proposal, if passed, will streamline the administrative procedures and allow the Company to pay the Non-Executive Directors during the financial year ending 31 December 2016 onwards.

**Ordinary Resolution 11 - Authority to Issue Shares pursuant to Section 132D of the Act**

The proposed Ordinary Resolution 11 under item 7 of the Agenda, if passed, will give a renewed general mandate to the Directors of the Company, pursuant to Section 132D of the Act (Renewed Mandate) for such purposes as the Directors may deem fit and in the best interest of the Company. The Renewed Mandate, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM.

As at the date of this Notice, 888,315,767 new ordinary shares of RM1.00 each in the Company were issued pursuant to the authority granted to the Directors at the Extraordinary General Meeting held on 30 November 2015 and which will lapse at the conclusion of the Second AGM.

The proposed resolution, if passed, will provide certain flexibility to the Directors, when the need arises, to undertake possible fund raising activities including but not limited to placement of shares for the funding of the Company's future investment project(s), working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, and to avoid any delay and cost in convening general meetings to specifically approve such an issue of shares.

**Ordinary Resolution 12 - Proposed Shareholders' Ratification and Shareholders' Mandate for Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature (Proposed Mandate)**

The proposed resolution, if passed, will enable Ranhill Group to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Ranhill Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Mandate is set out in the Circular, which is despatched together with the Company's 2015 Annual Report.

# PROXY FORM

**Ranhill**

**RANHILL HOLDINGS BERHAD**
(Company No. 1091059-K)
(Incorporated in Malaysia)

| **CDS Account No.** | |
|---|---|

I/We, ______________________________ *(NRIC/Company No.) ______________
(Full Name in **Capital** Letters)

of ______________________________
(Full Address)

being a Member/Members of Ranhill Holdings Berhad hereby appoint ______________________________

______________________________ (NRIC) ______________
(Full Name in **Capital** Letters)

of ______________________________
(Full Address)

or failing him/her ______________________________ (NRIC) ______________
(Full Name in **Capital** Letters)

of ______________________________
(Full Address)

or failing whom, the Chairman of the meeting as *my/our proxy to attend and vote for *me/us and on *my/our behalf at the Second (2nd) Annual General Meeting of the Company to be held at Ballroom Room 2 & 3, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 1 June 2016 at 10.00 a.m. and at any adjournment thereof on the following resolutions in the manner indicated below:-

My/our proxy is to vote as indicated below.

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

(Please indicate with an **"X" or "✓"** in the appropriate spaces provided below on how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion or as he thinks fit.)

| | | FOR | AGAINST |
|---|---|---|---|
| ***Ordinary Resolution 1*** | To approve the payment of Directors' fees for the Financial Year Ended 31 December 2015 | | |
| ***Ordinary Resolution 2*** | To re-elect Tan Sri Azman Yahya pursuant to Article 101 | | |
| ***Ordinary Resolution 3*** | To re-elect Tan Sri Hamdan Mohamad pursuant to Article 84 | | |
| ***Ordinary Resolution 4*** | To re-elect Mr Lim Hun Soon @ David Lim pursuant to Article 84 | | |
| ***Ordinary Resolution 5*** | To re-elect Datuk Dr. Nik Norzrul Thani Nik Hassan Thani pursuant to Article 84 | | |
| ***Ordinary Resolution 6*** | To re-elect Dato' Zulkifli Ibrahim pursuant to Article 84 | | |
| ***Ordinary Resolution 7*** | To re-elect Encik Abu Talib Abdul Rahman pursuant to Article 84 | | |
| ***Ordinary Resolution 8*** | To re-elect Encik Ritzlan Halim pursuant to Article 84 | | |
| ***Ordinary Resolution 9*** | To re-appoint Messrs Ernst & Young as the Auditors | | |
| ***Ordinary Resolution 10*** | To authorise payment of Directors' Fee commencing from Financial Year Ending 31 December 2016 | | |
| ***Ordinary Resolution 11*** | To authorise the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965 | | |
| ***Ordinary Resolution 12*** | To authorise the Proposed Shareholders' Ratification and Shareholders' Mandate for Recurrent Related Party Transactions | | |

| **No. of Shares held** | |
|---|---|

*The proposition of my holdings to be represented by my* proxy/proxies are as follows:-*

*First Name Proxy* __________%

*Second Name Proxy* __________%

*100* %

*Strike out whichever is not desired.

*Dated this* ______________ *day of* ______________ *2016*

______________________________
Signature of Member/Power of Attorney/Common Seal

**NOTES:**

**Members Entitled to Attend**
In respect of deposited securities, only members whose names appear in the Record of Depositors on 24 May 2016 shall be entitled to attend, speak and vote at the Second Annual General Meeting.

1. A member shall not, subject to paragraphs 2 and 3 below, be entitled to appoint more than two (2) proxies to attend and vote at the same Meeting. 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 specifies the proportion of his shareholding to be represented by each proxy. A proxy or Attorney need not be a Member of the Company and a Member may appoint any person to be his proxy and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply.

2. A member who is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991 (SICDA) 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.

3. 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.

4. 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.

5. 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.

6. **The instrument appointing a proxy must be deposited at the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.**

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AFFIX
STAMP

**Symphony Share Registrars Sdn Bhd**
Level 6, Symphony House, Block D13,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

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**RANHILL HOLDINGS BERHAD** (1091059-K)

Level 15, Wisma Perkeso
155, Jalan Tun Razak
50400 Kuala Lumpur

Tel : 03-2685 5200
Fax : 03-2685 5286
E-mail : info@ranhill.com.my

**www.ranhill.com.my**