9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1 Board of Directors

Our Board acknowledges and takes cognisance of the MCCG 2012, which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. The MCCG 2012 is specifically targeted at listed companies on Bursa Securities, and listed companies with a financial year ended 31 December 2012 onwards will be required to report the extent of the adoption of the principles and recommendations of MCCG 2012 in their annual reports.

Our Board is also committed to achieving and sustaining high standards of corporate governance. In regards to the above, our Board will use its best endeavours to comply with the MCCG 2012 and will provide a statement on the extent of compliance with the MCCG 2012 in our first annual report as a listed entity for the year ending 31 December 2013.

Within the limits set by our Articles, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow the MCCG 2012 which sets out the following responsibilities:

(i) to review, challenge and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;

(ii) to oversee the conduct of our businesses and to determine whether the businesses are being properly managed;

(iii) to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures to effectively monitor and manage these risks;

(iv) succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing our key management;

(v) to oversee the development and implementation of an investor relations programme or shareholders' communications policy for our Group; and

(vi) to review the adequacy and integrity of our internal controls and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines (including the Listing Requirements, securities laws and the Act).

In accordance with Article 101 of our Articles, at the first AGM of our Company, all Directors shall retire from office, and at every subsequent year's AGM, one-third (1/3) of our Directors for the time being, or if the number of Directors is not a multiple of 3, then the number nearest to one-third (1/3), shall retire from office and such Directors shall be eligible for re-election, provided always that each Director shall retire from office once in every 3 years. In accordance with Article 102 of our Articles, the Directors to retire in each year shall be our Directors who have been longest in office since their last election but as between Directors of equal seniority, the Directors to retire shall, in the absence of agreement, be selected from among them by ballot. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.

In accordance with Article 84 of our Articles, our Directors shall have the power from time to time and at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with our Articles. A Director so appointed shall retire from office at the next AGM but shall be eligible for re-election but shall not be taken into account in determining our Directors who are to retire by rotation at that meeting.

The number of Directors shall be not less than 2 but not more than 12. At least 2 of our Directors or one-third (1/3) of our Board, whichever is higher, must also at all times be Independent Directors. As at the date of this Prospectus, our Board consists of 7 Directors of which 3 are Independent Directors.

The details of the members of our Board, all of whom are Malaysian, as at the date of this Prospectus are as follows:

Name	Age	Date of appointment to our Board	Designation	No. of months in office as at the LPD
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	64	2 January 2013	Independent Non-Executive Chairman	5
TSHM	57	2 January 2013	Executive Director/ President and Chief Executive	5
AA	43	2 January 2013	Executive Director/Chief Operating Officer	5
Mohammed Rashdan Mohd Yusof	42	2 January 2013	Independent Non-Executive Director	5
Hee Kang Yow	45	2 January 2013	Independent Non-Executive Director	5
RA	55	2 January 2013	Executive Director	5
Loong Mei Yin	43	10 January 2013	Non-Independent Non-Executive Director	5

Our Directors shall retire from office at the next AGM of our Company in 2013.

Save for TSHM who represents LOSB and RCorp, and Loong Mei Yin, who represents Cheval, none of our Directors represent any corporate shareholder.

9.1.1 Profiles of our Directors

TAN SRI DATO' AHMAD FUZI HAJI ABDUL RAZAK, aged 64, was appointed to our Board as Independent Non-Executive Chairman on 2 January 2013.

He obtained his Bachelor of Arts (Honours) degree from Universiti Malaya in 1972 and completed a 9-month Foreign Service Course at University of Oxford in 1974. He is a Distinguished Fellow, Institute of Diplomacy and Foreign Relations; Distinguished Fellow, Institute of Strategic and International Studies; Deputy Chairman, Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific; Member, Board of Trustees, MERCY, Malaysia; Member, Institute of Advanced Islamic Studies; Member, Board of Trustee, Perdana Global Peace Foundation; Member, Advisory Board, Asia Pacific Entrepreneurship Award; Honorary Advisor, Malaysia Myanmar Chamber of Commerce and Advisor, High School Bukit Mertajam Alumni Malaysia.

He began his career in the Malaysian Diplomatic and Administrative Service and was attached to the Ministry of Foreign Affairs, Malaysia as Assistant Secretary in 1972. In 1976, he was appointed as the Secondary Secretary at the Malaysian Embassy in Moscow. He continued to hold several key positions in the Malaysian Diplomatic and Administrative Service, notably the positions of Deputy High Commissioner, Canberra, Australia from 1984 to 1987; Under Secretary (Political) from 1987 to 1989; Deputy Chief of Mission, Washington from 1989 to 1991 and High Commissioner, Dhaka from 1991 to 1994. He also held the position of Director General, Institute of Diplomacy and Foreign Relations from 1996 to 1997; Deputy Secretary General, Ministry of Foreign Affairs from 1997 to 2001 and Secretary General from 2001 to 2006 prior to his appointment as Ambassador-at-Large in 2006, his last held position in the Malaysian Diplomatic and Administrative Service which he served until 2009. He is presently the Secretary-General of the World Islamic Economic Forum Foundation.

TAN SRI HAMDAN MOHAMAD, aged 57, was appointed to our Board as Executive Director on 2 January 2013 and President and Chief Executive on 14 June 2013.

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 the 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 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 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.

AMRAN AWALUDDIN, aged 43, was appointed to our Board as Executive Director on 2 January 2013 and Chief Operating Officer on 14 June 2013.

He graduated in 1992 with a Bachelor of Science (Honours) degree in Industrial and Business Economics from London School of Economics, University of London, United Kingdom. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and is also a Fellow of the Chartered Institute of Management Accountants.

He started his professional career as a consultant with the Strategy and Operations Department at Kassim Chan Management Consultants Sdn Bhd in 1993. He went on to join the Privatisation and Project Advisory Department of RHB Sakura Merchant Bankers Berhad in 1996 as Senior Officer where he was involved in several privatisation and project advisory exercises. He joined the RB Group in 1999 and was appointed as Chief Financial Officer on 11 November 2002. On 1 September 2004, he was promoted as Executive Director and Chief Operating Officer of RB, a position which he held before his appointment as our Chief Operating Officer.

MOHAMMED RASHDAN MOHD YUSOF, aged 42, was appointed to our Board as Independent Non-Executive Director on 2 January 2013.

He obtained his degree in Economics (Double First Class Honours) from University of Cambridge, United Kingdom in 1992. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants in England and Wales and an Associate Member of the Association of Corporate Treasurers, United Kingdom.

Prior to his corporate career in Malaysia, he trained as a Chartered Accountant in Price Waterhouse ("**PW**") in London, and continued his career in PricewaterhouseCoopers ("**PwC**") Kuala Lumpur, specialising in financial services (audit and business advisory) and structured finance risk advisory services. His career in PW and PwC spanned 9 years from 1992 to 2001. Thereafter, he held the position of Managing Director of BinaFikir Sdn Bhd, a boutique advisory and investment banking firm from 2002 to 2008 before joining Maybank IB in 2008 as Chief Executive Officer. Subsequently in 2010, he served as Executive Director of Investments in Khazanah Nasional Berhad until 2011, prior to him assuming the position of Group Deputy Chief Executive Officer in Malaysia Airline System Berhad ("**MAS**") from 2011 to 2012. He also served as a member of the board of directors of MAS from 2010 to 2012. Throughout the span of his career, he has been involved in many landmark corporate finance fund raising and merger and acquisition deals.

HEE KANG YOW, aged 45, was appointed to our Board as Independent Non-Executive Director on 2 January 2013.

He read law in King's College London, University of London and graduated with a Bachelor of Laws (Honours) degree in 1991. He was subsequently called to the Bar of England and Wales in 1992 through his association with the Lincoln's Inn. He also holds a Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants, United Kingdom.

Upon his return to Malaysia, he was called to the High Court of Malaya in 1993 as an Advocate and Solicitor until 1996. Subsequently in 1996, he joined The General Electric Company of Malaysia Sdn Bhd as a Legal Counsel before joining Genting Sanyen Malaysia Sdn Bhd in 1998, also as a Legal Counsel until 2001. In 2001, he joined Genting Power Holdings Limited group of companies ("**GPHL**") where he held various key positions until his eventual appointment as Head of the Power Division of GPHL in 2007. He also held the position of Executive Vice-President in Genting Energy Limited. During his tenure in GPHL and Genting Energy Limited, he was responsible for managing the day-to-day operations of the power business and led many negotiations and discussions relating to, among others, power purchase and O&M agreements. He was also involved in various power asset acquisitions and biddings for power plant assets, notably in countries within Asia Pacific. He left his positions in GPHL and Genting Energy Limited in 2012.

RONI ANAK ADRIAN @ RONNIE ANAK ADRIAN, aged 55, was appointed to our Board as Executive Director on 2 January 2013.

He graduated with a Bachelor of Science degree in Electrical and Electronics Engineering from University of Newcastle Upon Tyne, United Kingdom in 1981. He is also an Associate Member of the Institute of Electrical Engineers, United Kingdom and a Graduate Member of the Institution of Engineers, Malaysia.

He started his career at Sarawak Shell Berhad, where he served from 1981 to 1995 and held several key positions in the engineering department spanning from design, commissioning, fabrication, onshore and offshore construction, project services and contracts management. In 1995, he left Sarawak Shell Berhad and became a self-employed consultant. During this period, he provided consultancy services in relation to project management of oil and gas field development projects in Malaysia, Singapore and Indonesia notably, on economic feasibility of projects and review of project readiness until 1999. In February 1999, he joined Brunei Shell Petroleum Company as Senior Construction Engineer and subsequently, joined Mashor Joint Venture International Sdn Bhd in December 1999 as Project Manager. He then had stints in Japan and Korea on major development projects for Carigali-Triton Operating Company in 2000 to 2001. He was instrumental in the development of marginal oil fields in Murphy Sarawak Oil Co Ltd before joining Ranhill Engineers and Constructors Sdn Bhd *(now known as REPC)* in 2002 as Chief Operating Officer. In 2003, he joined RWorley as Manager of Projects before being appointed as Chief Executive Officer of RWorley on 1 October 2005, a position he has held until today. Under his leadership, RWorley has grown its business outside Malaysia, whilst increasing its presence in Malaysia a major service delivery hubs for certain aspects of WorleyParsons' global operations for the hydrocarbons industry in South East Asia, the Middle East and Europe.

LOONG MEI YIN, aged 43, was appointed to our Board as Non-Independent Non-Executive Director on 10 January 2013.

She obtained her Bachelor of Science degree, majoring in Accounting, Finance and Computer Science from Monash University, Australia in 1992 and has been a Chartered Financial Analyst charter holder since 1995.

Following her graduation in 1992, she joined Kwong Yik Bank Bhd where she assumed the position of Officer in the Corporate Banking department. Subsequently in 1994, she joined the Capital Markets Division of Schroders Malaysia (L) Bhd and served until 1999 where her last held position was Manager and during which she gained extensive experience in a wide range of capital raising activities. Thereafter from 1999 to 2007, she was attached to various subsidiaries of United Overseas Bank Limited of Singapore, namely United Overseas Bank (Malaysia) Bhd and UOB Asia Limited. She last held the position of Executive Director of UOB Asia Limited where she headed its Thai investment banking team. In 2007, she co-founded TAEL Partners Ltd, a regional private equity investment firm where she is currently a Managing Director and Partner.

Our Directors also hold directorships in other companies, as disclosed in Section 9.1.3 of this Prospectus.

9.1.2 Shareholding of our Directors

The following table sets forth the direct and indirect shareholdings of our Directors before and after the IPO based on our Register of Directors' Shareholdings as at the date of this Prospectus (assuming full subscription for the Issue Shares allocated to our Directors under our IPO):

	Before our IPO				After our IPO[1]			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	-	-	-	-	161,000	0.02	-	-
TSHM	15,468,203	2.45	360,571,675	[4]57.07	15,629,203	1.62	360,571,675	[4]37.49
AA	867,268	0.14	-	-	1,028,268	0.11	-	-
Mohammed Rashdan Mohd Yusof	-	-	-	-	161,000	0.02	-	-
Hee Kang Yow	-	-	-	-	161,000	0.02	-	-
RA	-	-	-	-	161,000	0.02	-	-
Loong Mei Yin	-	-	-	-	161,000	0.02	-	-

Notes:

(1) *Excludes Shares that they may subscribe under the Malaysian public's portion.*

(2) *Based on our issued and paid-up share capital of 631,766,000 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of 961,766,000 Shares.*

(4) *Deemed interested by virtue of his direct shareholdings in LOSB and RCorp pursuant to Section 6A of the Act.*

9.1.3 Directorships and principal business activities performed by our Directors outside our Group

Save as disclosed below, none of our Directors have performed any principal business activities outside our Group. The directorships of our Directors outside our Group at present and in the past 5 years preceding the LPD are as follows:

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	*Present directorships:*		• Advisor of Leisure Guide Publishing Sdn Bhd • Advisor of High School Bukit Mertajam Alumni Malaysia • Deputy Chairman, Malaysian Member Committee of Council for Security Cooperation in the Asian Pacific • Direct shareholder of Angkasa Link (M) Sdn Bhd • Direct shareholder of HDZ Oil Refinery Sdn Bhd • Direct shareholder of HDZ Petroleum Sdn Bhd • Direct shareholder of NS Cattle Farm & Breeder Sdn Bhd • Direct shareholder of Seremban Engineering Berhad • Direct shareholder of Theatre Management Association Sdn Bhd • Honorary Advisor of Malaysia-Myanmar Chamber of Commerce • Member, Advisory Board of Asia Pacific Entrepreneurship Award • Member, Board of Trustee of MERCY Malaysia
	• Ace Holdings Sdn Bhd	• Dormant	
	• Amanahraya-REIT Managers Sdn Bhd	• Management company of a unit trust or real estate investment trust	
	• Angkasa Link (M) Sdn Bhd	• Trading, distribution, marketing and manufacturing of microwave radio, telecommunication and other equipments, and general trading	
	• F3 Strategies Berhad	• Dormant	
	• Ferro Mining Sdn Bhd	• Exploration and development of iron ore and mining minerals, and trading of iron ore or mining produce	
	• HDZ Petroleum Sdn Bhd	• Undertaking of exploration, development and production of crude oil and natural gas activities including refining, marketing, distribution, trading and shipping	
	• HDZ Oil Refinery Sdn Bhd	• Oil refinery of petroleum products for domestic consumption and export	
	• ISAREIT Retail Properties Sdn Bhd	• Dormant	
	• Maybank Islamic Berhad	• Islamic banking and provision of related financial services	
	• Maybank Private Equity Sdn Bhd *(formerly known as Maybank Ventures Sdn Bhd)* *(resigned on 31 May 2013)*	• Venture capital	
	• MDIS (Malaysia) Sdn Bhd	• Investment holding	
	• NS Cattle Farm & Breeder Sdn Bhd	• Agro farm and breeding, trading in animals and general trading	
	• Optimal Capital Sdn Bhd	• Venture capital, investment management and consultancy (has not commenced business)	
	• Perdana Global Peace Foundation	• To pursue world peace	
	• Puncak Niaga Holdings Berhad	• Investment holding	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak *(cont'd)*	*Present directorships (cont'd):*		• Member, Board of Trustee of Perdana Global Peace Foundation • Secretary-General of World Islamic Economic Forum Foundation • Member (Independent Non-Executive), Audit Committee of Maybank Asset Management Group Berhad • Direct shareholder of Weros Technologies Sdn Bhd
	• Seremban Engineering Berhad	• Fabrication of process equipment and metal structure and provision of maintenance, repair and shutdown work	
	• Softgen Sdn Bhd	• Research and development and provision of information technology solutions services for banks	
	• Theatre Management Association Sdn Bhd	• Theatre management services	
	• Weros Technologies Sdn Bhd	• General trading	
	• Xadacorp Sdn Bhd	• Investment holding	
	Previous directorships:		
	• Al-Nibras Limited *(resigned on 1 December 2010)*	• Carrying on the businesses of property	
	• AmanahRaya Capital Group Sdn Bhd *(resigned on 1 December 2008)*	• Provision of management consultancy, advisory and corporate finance services	
	• AsiaEP Resources Berhad *(resigned on 10 October 2011)*	• Provider of e-commerce solutions and development of e-marketplace	
	• Asian Development & Investment Bank (Labuan) *(resigned on 19 June 2012)*	• Offshore investment banking services	
	• LCL Corporation Berhad *(in liquidation)*	• Investment holding and provision of management services	
	• Leisure Guide Publishing Sdn Bhd *(resigned on 7 July 2012)*	• Printing and publishing services	
	• PKT Logistics (M) Sdn Bhd *(resigned on 1 September 2011)*	• Provision of transportation services, forwarding agent and trading in automobile spare parts	
	• ScanAsia Technologies Sdn Bhd *(resigned on 24 May 2011)*	• Provision of system integrating software for clinical and administrative application for health care industry	
	• World Islamic Forum Foundation *(resigned on 1 December 2008)*	• Organisation of the annual World Islamic Economic Forum and other regional meetings to promote cooperation among Muslim business community and non-Muslim community	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
TSHM	*Present directorships:*		• Direct and indirect shareholder of RB • Direct shareholder of LOSB • Direct shareholder of Nusantara Cement Sdn Bhd • Direct shareholder of PRWSB • Direct shareholder of Ranhill Bersekutu (Penang) Sdn Bhd • Direct shareholder of Rancak Bistari Sdn Bhd • Direct shareholder of Ranhill Consulting Sdn Bhd • Direct shareholder of Ranhill Ventures Sdn Bhd • Direct shareholder of RBS Corporation Sdn Bhd • Direct shareholder of RCorp • Direct shareholder of RB Limited • Direct trustee member of Ranhill Foundation • Indirect shareholder of Amona Ranhill Consortium Sdn Bhd • Indirect shareholder of Bhola Power Company Limited • Indirect shareholder of Golden Active Sdn Bhd • Indirect shareholder of Konsortium Ranhill Nada Cekal Sdn Bhd • Indirect shareholder of Konsortium Ranhill Sdn Bhd • Indirect shareholder of LOSB (Cayman) • Indirect shareholder of Mediglobal Malaysia Sdn Bhd
	• Amona Ranhill Consortium Sdn Bhd	• Provision of EPC services	
	• Bhola Power Company Limited	• Production and sale of generated power to any legal entity in Bangladesh	
	• Copenhagen Design Center Sdn Bhd	• Dormant	
	• Golden Active Sdn Bhd	• Investment holding	
	• LOSB	• Investment holding	
	• LOSB (Cayman)	• Investment holding	
	• Oceania Investments Limited	• Investment holding	
	• P.T. Ranhill Energy Indonesia	• Investment holding and oil and gas exploration	
	• Pacific Energy Overseas Ltd	• Investment holding	
	• PRWSB	• Engineering and design of oil and gas facilities	
	• Rancak Bistari Sdn Bhd	• Investment holding and provision of management services	
	• Ranhill (L) Limited	• Act as special purpose vehicle for the issuance of any type of securities as permitted under the Offshore Companies Act, 1990	
	• Ranhill Antara Koh Sdn Bhd	• Identify, secure and undertake land and marine piling works, marine structures and related civil engineering works	
	• Ranhill Bhola Holdings Sdn Bhd	• Investment holding	
	• Ranhill Bhola Power Sdn Bhd	• Investment holding	
	• Ranhill Capital (Mauritius) Limited	• Investment holding	
	• Ranhill Consulting Sdn Bhd	• Provision of engineering consultancy services	
	• Ranhill E&C Sdn Bhd	• Carry on the business of EPC	
	• Ranhill Energy Sdn Bhd	• Undertake energy and energy related works and services	
	• Ranhill Foundation	• Dormant	
	• Ranhill International Inc	• Provision of engineering and construction services overseas and investment holding	
	• Ranhill Pakistan (Private) Limited	• EPC and investment holding	
	• RB	• Investment holding, provision of management services to its subsidiaries and provision of EPC services	
	• RBSB	• Provision of EPCM and project management consultancy services	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
TSHM *(cont'd)*	*Present directorships (cont'd):*		• Indirect shareholder of Mubarak Ranhill Technology Sdn Bhd • Indirect shareholder of P.T. Ranhill Energy Indonesia • Indirect shareholder of Pacific Energy Overseas Ltd • Indirect shareholder of PLT Asia • Indirect shareholder of Ranhill (L) Limited • Indirect shareholder of Ranhill Antara Koh Sdn Bhd • Indirect shareholder of Ranhill Bhola Holdings Sdn Bhd • Indirect shareholder of Ranhill Bhola Power Sdn Bhd • Indirect shareholder of Ranhill E&C Sdn Bhd • Indirect shareholder of Ranhill Energy Sdn Bhd • Indirect shareholder of Ranhill Global Systems Sdn Bhd • Indirect shareholder of Ranhill International Inc. • Indirect shareholder of Ranhill Pakistan (Private) Limited, Pakistan • Indirect shareholder of Ranhill Power Distribution Sdn Bhd • Indirect shareholder of Ranhill Power Projects Sdn Bhd • Indirect shareholder of Ranhill Services Sdn Bhd • Indirect shareholder of Ranhill Sri Gading Sdn Bhd • Indirect shareholder of RBSB
	• RB Limited	• Investment holding	
	• RCorp	• Provision of engineering and construction services	
	• SDEB	• Construction, operation and maintenance of highways	
	• SDE Land Sdn Bhd	• Arrange financing for the acquisition of land by the Government in relation to the design, construction, operation and maintenance of the Senai-Pasir Gudang-Desaru Expressway	
	Previous directorships:		
	• Bumi Parahyangan Ranhil Energia Citarum Pte Ltd *(resigned on 24 March 2011)*	• Investment holding and general wholesale trade including general imports and exports	
	• Dheeru Powergen Limited *(resigned on 24 April 2012)*	• Generation and sale of electricity	
	• Konsortium Ranhill Sdn Bhd *(resigned on 1 November 2010)*	• Carry on the business of EPC	
	• Moretta Finance B.V. *(resigned on 31 December 2008)*	• Investment holding	
	• Ranhill (India) Pte Ltd *(struck off on 10 September 2012)*	• To carry out the business of EPCM, EPC, construction and BOT in the utilities, infrastructure and the oil and gas sectors	
	• Ranhill Dheeru (Malaysia) Sdn Bhd *(resigned on 21 June 2012)*	• Investment holding	
	• Ranhill Gormura Sdn Bhd *(struck off on 29 April 2010 as gazetted)*	• Dormant	
	• Ranhill Jambi Inc Holdings Pte Ltd *(resigned on 9 February 2011)*	• Investment holding, oil and gas exploration and general wholesale trade including general imports and exports	
	• Ranhill Middle East, FZE, Jebel Ali *(resigned on 11 February 2011)*	• Source, finance, manage funds, execute projects, marketing, business development and procurement	
	• Ranhill Nusantara Energy Holdings Pte Ltd *(resigned on 15 December 2008)*	• Investment holding and oil and gas exploration	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
TSHM *(cont'd)*	*Previous directorships (cont'd)*: • Ranhill Worley Engineering Sdn Bhd *(dissolved on 27 July 2009 via members' voluntary liquidation)* • RCivil *(resigned on 3 March 2012)* • REPC *(resigned on 24 April 2012)* • Unit (Malaysia) Holdings Sdn Bhd *(struck off on 17 July 2012 as gazetted)* • West Java Energy Pte Ltd *(struck off on 6 November 2012 as gazetted)*	 • Dormant • Provision of project management consultancy and EPC services • Provision of EPC services • Dormant • Petroleum, mining and prospecting services including offshore exploration services	• Indirect shareholder of RBSL • Indirect shareholder of RCivil • Indirect shareholder of REPC • Indirect shareholder of SDEB • Indirect shareholder of SDE Land Sdn Bhd
AA	*Present directorships:* • Amona Ranhill Consortium Sdn Bhd • Golden Active Sdn Bhd • MediGlobal Malaysia Sdn Bhd • Mubarak Ranhill Technology Sdn Bhd • Nusantara Cement Sdn Bhd • P.T. Ranhill Energy Indonesia • Ranhill (L) Limited • Ranhill Antara Koh Sdn Bhd • Ranhill Bersekutu (Penang) Sdn Bhd • Ranhill E&C Sdn Bhd • Ranhill Energy Sdn Bhd • Ranhill International Inc • Ranhill Power Distribution Sdn Bhd • Ranhill Power Projects Sdn Bhd	 • Provision of EPC services • Investment holding • Ceased operations • Provision of information technologies solutions services and investment holding and provision of management services to subsidiaries • Dormant • Investment holding and oil and gas exploration • Act as special purpose vehicle for the issuance of any type of securities as permitted under the Offshore Companies Act, 1990 • Identify, secure and undertake land and marine piling works, marine structures and related civil engineering works • Provision of engineering consultancy services • Carry on the business of EPC • Undertake energy and energy related works and services • Provision of engineering and construction services overseas and investment holding • Dormant • Dormant	• Direct shareholder of Ranhill Bersekutu (Penang) Sdn Bhd • Direct shareholder of Ranhill Ventures Sdn Bhd • Direct shareholder of RB • Direct shareholder of RCorp

Director	Directorships	Principal activities	Involvement in business activities other than as a director
AA *(cont'd)*	*Present directorships (cont'd):*		
	• Ranhill Services Sdn Bhd	• Dormant	
	• Ranhill Sri Gading Sdn Bhd	• Turnkey contracting for the Sri Gading Water Supply Project	
	• RB	• Investment holding, provision of management services to its subsidiaries and provision of EPC services	
	• RBSB	• Provision of EPCM and project management consultancy services	
	• RCorp	• Provision of engineering and construction services	
	• SDE Land Sdn Bhd	• Arrange financing for the acquisition of land by the Government in relation to the design, construction, operation and maintenance of the Senai-Pasir Gudang-Desaru Expressway	
	Previous directorships:		
	• AYE Global Sdn Bhd *(resigned on 30 December 2011)*	• Dormant	
	• Bumi Parahyangan Ranhil Energia Citarum Pte Ltd *(resigned on 24 March 2011)*	• Investment holding and general wholesale trade including general imports and exports	
	• Konsortium Ranhill Sdn Bhd *(resigned on 13 April 2012)*	• Carry on the business of EPC	
	• Perkasa Elite Management Sdn Bhd *(struck off on 11 September 2008 as gazetted)*	• Dormant	
	• Ranhill Dheeru (Malaysia) Sdn Bhd *(resigned on 21 June 2012)*	• Investment holding	
	• Ranhill Global Systems Sdn Bhd *(resigned on 23 November 2012)*	• Provide information technology and related services	
	• Ranhill Jambi Inc Holdings Pte Ltd *(resigned on 9 February 2011)*	• Investment holding, oil and gas exploration and general wholesale trade including general imports and exports	
	• Ranhill Middle East, FZE, Jebel Ali *(resigned on 11 February 2011)*	• Source, finance, manage funds, execute projects, marketing, business development and procurement	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
AA *(cont'd)*	*Previous directorships (cont'd)*:		
	• Ranhill Nusantara Energy Holdings Pte Ltd *(resigned on 15 December 2008)*	• Investment holding and oil and gas exploration	
	• Ranhill Worley Engineering Sdn Bhd *(dissolved on 27 July 2009 via members' voluntary liquidation)*	• Dormant	
	• *Renaissance Springs Sdn Bhd (struck off on 12 February 2009 as gazetted)*	• Dormant	
	• RCivil *(resigned on 3 April 2012)*	• Provision of project management consultancy and EPC services	
	• REPC *(resigned on 24 April 2012)*	• Provision of EPC services	
	• SDEB *(resigned on 25 October 2011)*	• Construction, operation and maintenance of highways	
	• Unit (Malaysia) Holdings Sdn Bhd *(struck off on 17 July 2012 as gazetted)*	• Dormant	
	• Urusan Teknologi Wawasan Sdn Bhd *(resigned on 28 July 2011)*	• Provision of facilities management and maintenance contractors	
	• West Java Energy Pte Ltd *(struck off on 6 November 2012 as gazetted)*	• Petroleum, mining and prospecting services including offshore exploration services	
Mohammed Rashdan Mohd Yusof	*Present directorships:*		• Direct shareholder of Fayruz & Rashdan Sdn Bhd • Managing Director and shareholder of QuantePhi Sdn Bhd • Direct shareholder of QuintePhi Sdn Bhd
	• Fayruz & Rashdan Sdn Bhd	• Investment holding (has not commenced business)	
	• QuantePhi Sdn Bhd	• Provision of advisory services	
	• QuintePhi Sdn Bhd	• Advisory and investment holding (has not commenced business)	
	• Sepang International Circuit Sdn Bhd	• Management of Formula 1 race track facilities in Sepang	
	Previous directorships:		
	• Airasia Berhad *(resigned on 12 October 2011)*	• Provision of air transportation services	
	• Atlantic Quantum Sdn Bhd *(resigned on 10 August 2011)*	• Investment holding company, global semiconductor investment ventures and provision of management services	
	• Binafikir Sdn Bhd *(resigned on 1 May 2010)*	• Provision of business and economic advisory and consultancy services	
	• Flyfirefly Holiday Sdn Bhd *(resigned on 30 June 2012)*	• Business of tour and travel related operations	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Mohammed Rashdan Mohd Yusof *(cont'd)*	*Previous directorships (cont'd)*:		
	• Flyfirefly Sdn Bhd *(resigned on 30 June 2012)*	• Provision of air transportation and related services	
	• MAS *(resigned on 1 July 2012)*	• Provision of air transportation and related services	
	• MAS Golden Holidays Sdn Bhd *(resigned on 1 July 2012)*	• Dormant	
	• MASWings Sdn Bhd *(resigned on 1 July 2012)*	• Provision of air transportation and related services	
	• Maybank IB *(resigned on 1 May 2010)*	• Investment banking	
	• Maybank Private Equity Sdn Bhd *(formerly known as Maybank Ventures Sdn Bhd)* *(resigned on 21 April 2010)*	• Venture capital	
	• MH Loyalty Programme Sdn Bhd *(resigned on 27 July 2012)*	• Provision and sale of data analytics, customer relationship management insights and marketing related activities	
	• Multimedia Development Corporation Sdn Bhd *(resigned on 30 September 2011)*	• Coordination of implementation of multimedia super corridor and investment holding	
	• Penerbangan Malaysia Berhad *(resigned on 15 September 2011)*	• Acquisition, sale and leasing of aircraft and aircraft engines, investment holding and strategic management of domestic airline business	
Hee Kang Yow	*Present directorships:*		• Direct shareholder of Apt Villas Sdn Bhd
	• Apt Villas Sdn Bhd	• Investment holding	• Direct shareholder of Elite Goldtree Sdn Bhd
	• Elite Goldtree Sdn Bhd	• Dormant	• Direct shareholder of Majestic Partners Sdn Bhd
	• Majestic Partners Sdn Bhd	• Investment holding	• Direct shareholder of Tandem Property Management Sdn Bhd
	• Tandem Property Management Sdn Bhd	• Investment holding	
	Previous directorships:		
	• Fujian Electric (Hong Kong) LDC *(resigned on 31 May 2012)*	• Investment holding	
	• Fujian Pacific Electric Company Limited *(resigned on 31 May 2012)*	• Power generation	
	• Generic Wealth Sdn Bhd *(resigned on 3 June 2008)*	• Dormant	
	• Genting Lanco Power (India) Private Limited *(resigned on 31 May 2012)*	• Operation and maintenance of power generation	
	• Genting Power China Limited *(resigned on 31 May 2012)*	• Investment holding	
	• Genting Risk Solutions Sdn Bhd *(resigned on 1 June 2012)*	• Risk solution and insurance management	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Hee Kang Yow *(cont'd)*	• GP Raigad Pte Ltd *(resigned on 31 May 2012)*	• Investment holding	
	Previous directorships (cont'd):		
	• GP Wind (Jangi) Private Limited *(resigned on 31 May 2012)*	• Power generation	
	• Green Synergy Holding Pte Ltd *(resigned on 31 May 2012)*	• Investment holding	
	• Hari Hareshwar Power Company Private Limited *(resigned on 31 May 2012)*	• Power generation (development stage)	
	• Lanco Kondapalli Power Limited *(resigned on 31 May 2012)*	• Power generation	
	• Lanco Tanjore Power Limited *(resigned on 31 May 2012)*	• Power generation	
	• Lestari Listrik Pte Ltd *(resigned on 31 May 2012)*	• Investment holding	
	• Mastika Water Management Sdn Bhd *(resigned on 1 June 2012)*	• Water infrastructure services	
	• Meizhou Wan Power Production Holding Company Ltd *(resigned on 31 May 2012)*	• Investment holding	
	• Nanjing Coastal Xingang *(resigned on 31 May 2012)*	• Power generation	
	• Suzhou Coastal Cogeneration Power Company Ltd *(resigned on 31 May 2012)*	• Power generation	
	• Wuxi Huada Gas Turbine Electric Power Company *(resigned on 31 May 2012)*	• Power generation	
RA	*Present directorships:*		• Chief Executive Officer of PRWSB • Shareholder of WorleyParsons Environmental Sdn Bhd
	• Transfield Services	• Provision of advisory and consultancy services, maintenance, procurement and project O&M services	
	• WorleyParsons Environmental Sdn Bhd	• Carry out project management consultancy in environmental engineering and related areas and implementation of projects in the field of waste treatment and disposal and control system integration	
	Previous directorships:		
	• Perunding Utama Sdn Bhd *(in liquidation)*	• Engineering consultancy services	
	• Perancang Lestari Sdn Bhd *(in liquidation)*	• Provision of local, structural, environmental planning, natural resource planning, transportation planning, landscape planning and related consultancy	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Loong Mei Yin	*Present directorships:*		• Direct shareholder of TAEL Partners Ltd • Indirect interest in Emerel Investment Holdings Ltd • Indirect shareholder of PT TAEL Management Indonesia • Indirect shareholder of TAEL Management Co. (Cayman) Ltd • Indirect shareholder of TAEL Management Co. (Malaysia) Sdn Bhd • Indirect shareholder of TAEL Management Co. (Singapore) Pte Ltd • Indirect shareholder of TAEL One Partners Ltd • Indirect shareholder of TAEL Tijari Partners Ltd
	• Amadia Investments Ltd	• Investment holding	
	• TAEL Asia Feeder Ltd	• Investment holding	
	• TAEL Management Co. (Cayman) Ltd	• Fund management	
	• TAEL Management Co. (Malaysia) Sdn Bhd	• Group in-house advisory services	
	• TAEL Management Co. (Singapore) Pte Ltd	• Fund management	
	• TAEL One Feeder Ltd	• Investment holding	
	• TAEL One Partners Ltd	• Fund management	
	• TAEL Partners Ltd	• Investment holding	
	• TAEL Tijari Partners Ltd	• Fund management	
	• TAEL Tijari Sukuk Ltd	• Investment holding	
	• TOIC Investments Ltd	• Investment holding	
	Previous directorships:		
	• Emerel Investments Ltd *(resigned on 2 May 2012)*	• Investment holding	
	• Emerel Investment Holdings Ltd *(resigned on 3 May 2012)*	• Investment holding	

The involvement of our Directors in other businesses and/or corporations as highlighted above are not expected to affect their contribution to our Group as our Directors are not actively involved in the management and day-to-day operations of these businesses and/or corporations whereby their involvement are only to the extent of attending board or shareholders' meetings.

9.1.4 Involvement of our Directors in other businesses or corporations (other than our jointly-controlled entities and associates) which carry on a similar trade as that of our Group or which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our Directors have any interest, direct or indirect, in other businesses or corporations (other than our jointly-controlled entities and associates) which are (i) carrying on a similar trade as that of our Group; or (ii) our customers and/or suppliers.

Director	Business/Corporation	Nature of interest	Direct interest (%)	Indirect interest (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	*Similar trade as that of our Group:*			
	• Puncak Niaga Holdings Berhad	• Director of Puncak Niaga Holdings Berhad	-	-
	• Seremban Engineering Berhad	• Director and shareholder of Seremban Engineering Berhad	0.06	-

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

Director	Business/Corporation	Nature of interest	Direct interest (%)	Indirect interest (%)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak *(cont'd)*	• Syarikat Bekalan Air Selangor Sdn Bhd	• Director of Puncak Niaga Holdings Berhad, holding company of Syarikat Bekalan Air Selangor Sdn Bhd	-	-
TSHM	*Our customers:*			
	• PRWSB	• Director and substantial shareholder of PRWSB	89.99	-
	• REPC	• Substantial shareholder of REPC	-	100.00
	Our suppliers:			
	• PRWSB	• Director and substantial shareholder of PRWSB	89.99	-
	• Ranhill Consulting Sdn Bhd	• Director and substantial shareholder of Ranhill Consulting Sdn Bhd	91.99	-
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder of Ranhill Global Systems Sdn Bhd	-	100.00
Hee Kang Yow	*Similar trade as that of our Group:*			
	• YTL Power International Berhad	• Consultant for YTL Power International Berhad	-	-
RA	*Our customer:*			
	• PRWSB	• Chief Executive Officer of PRWSB	-	-
	Our supplier:			
	• PRWSB	• Chief Executive Officer of PRWSB	-	-

Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak holds Non-Executive directorships in Puncak Niaga Holdings Berhad, Seremban Engineering Berhad and our Company, and is not involved in the management and day-to-day operations of these companies.

TSHM is a Non-Executive Director and substantial shareholder in Ranhill Consulting Sdn Bhd ("**RConsult**"). Pursuant to the service agreement between RConsult and RBSB dated 5 April 2000 ("**RConsult Service Agreement**"), RConsult has exclusively appointed RBSB to perform engineering services in respect of projects awarded to RConsult in Malaysia. Hence, his role in RConsult would not result in any conflict of interest situation since all activities will be undertaken by RBSB pursuant to the RConsult Service Agreement once the projects are awarded. In addition, TSHM is not involved in the management and day-to-day operations of RConsult. As for the Ranhill Global Systems Sdn Bhd and REPC, TSHM is a substantial shareholder in these companies by virtue of his direct shareholdings in RB and he is also not involved in the management and day-to-day operations of these companies.

In addition, TSHM is an Executive Chairman in PRWSB, which holds the licence issued by PETRONAS required for bidding of contracts tendered by the PETRONAS Group and all other tenders for upstream oil and gas works undertaken by PETRONAS' production sharing contractors in Malaysia. Pursuant to the PRWSB Service Agreement, PRWSB has exclusively appointed RWorley to perform EPCM services in respect of all the projects awarded by the PETRONAS Group to PRWSB in Malaysia. Hence, his role in PRWSB would not result in any conflict of interest situation since all activities will be undertaken by RWorley pursuant to the PRWSB Service Agreement once the projects are awarded.

RA holds the positions of Chief Executive Officer in both RWorley, which provides engineering and related services in our oil and gas business, and in PRWSB. Similar to TSHM, his role in PRWSB would not result in any conflict of interest situation since all activities will be undertaken by RWorley pursuant to the PRWSB Service Agreement once the projects are awarded.

Interests held by our Directors in other businesses and corporations which are carrying on a similar trade as that of our Group or which are either customers and/or suppliers of our Group may give rise to a conflict of interest situation. Accordingly, such Directors and persons connected to them shall abstain from deliberations and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. In the event such matters or transactions require the approval of the relevant Board of Directors of the companies in our Group including our Company, such Directors who are deemed interested or conflicted in such matters or transactions by virtue of their relationship with our substantial shareholders or other relationship shall declare their interests and similarly abstain from deliberations and voting on the resolutions relating to these matters or transactions.

9.1.5 Audit Committee

Our Audit Committee was established and constituted by our Board on 4 January 2013 to fulfill its oversight responsibilities. Our Audit Committee currently comprises the following members:

Name	Designation	Directorship
Mohammed Rashdan Mohd Yusof	Chairman	Independent Non-Executive Director
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	Member	Independent Non-Executive Chairman
Hee Kang Yow	Member	Independent Non-Executive Director

The duties and functions of our Audit Committee are to review the following and report the same to our Board:

(i) The terms of reference for the Audit Committee at least annually, as the conditions dictate;

(ii) The audit scope and plan of the external auditors and the internal auditors including any changes in the planned scope of the audit plan;

(iii) Significant audit findings during the financial year with management, external auditors and internal auditor, including the status of previous audit recommendations;

(iv) The external and internal audit reports to ensure that where major deficiencies in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;

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

(vi) Any nomination, appointment, resignation and performance of the external auditors;

(vii) The internal audit charter, budget and staffing;

(viii) Internal controls and compliance processes instituted;

(ix) The establishment of an appropriate internal control framework, including information systems and potential enhancements;

(x) Investigation reports on any major defalcations, frauds and thefts from our Group;

(xi) The quarterly results and year end financial statements, prior to the approval by our Board, focusing on:

- changes in or implementation of major accounting policies;
- significant or unusual events; and
- compliance with accounting standards and other legal requirements;

(xii) Procedures in place to ensure that our Group is in compliance with the Act, the Listing Requirements and other legislative and reporting requirements;

(xiii) Related party transactions and conflict of interest situations that may arise within our Company and/or our Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(xiv) Any other activities consistent with its terms of reference, as the Audit Committee or our Board deem necessary or appropriate;

(xv) The appraisal or assessment of the internal audit function and competency, approval of any appointment or termination of senior staff members within the internal audit function and be informed of the staff movement; and

(xvi) Where the Audit Committee is of the view that a matter reported by it to our Board, has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to Bursa Securities.

9.1.6 Nominating and Remuneration Committee

Our Nominating and Remuneration Committee ("**NRC**") was established and constituted by our Board on 4 January 2013. Our NRC currently comprises the following members:

Name	Designation	Directorship
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	Chairman	Independent Non-Executive Chairman
Mohammed Rashdan Mohd Yusof	Member	Independent Non-Executive Director
Hee Kang Yow	Member	Independent Non-Executive Director

Our NRC undertakes the following functions:

(i) Identifying candidates for any directorship (and board committees) to be filled, taking into consideration the candidates' skills, 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) Reviewing annually:

- the required mix of skills, experience and competencies required of our Board members including its structure, composition and the optimum size of our Board and its committee to best serve our Group and our businesses and operations as a whole; and

- the role and responsibilities of our Directors and assess the contributions of each individual Director and the effectiveness of our Board, as a whole;

(iii) Facilitating the re-election by shareholders of any Director under the "retirement by rotation" provisions in our Articles having due regard to their performance and ability to continue to contribute to our Board in the light of the knowledge, skills and experience required;

(iv) Determining the required skills and criteria of the Managing Director or a person occupying such position by whatever name called, identify and recommend such suitable candidate to fill the position should a vacancy arises;

(v) Formulating plans for succession for our Executive Directors and for the Executive Vice Presidents (or such other persons whom the NRC view as critical positions in senior management) and any matters relating to the continuation in office of such person at any time including the suspension or termination of service as an employee or otherwise, subject to the provisions of the law and their service contract;

(vi) Identifying and recommending suitable orientation, educational and training programmes to continuously train and better equip our existing and new Directors in discharging their duties;

(vii) Determining our Group's overall 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 our Executive Directors and senior management and review the ongoing appropriateness and relevance of such remuneration policy;

(viii) Reviewing the remuneration package for our Non-Executive Directors and our committees to be aligned to their responsibilities and contributions;

(ix) Aligning remuneration arrangements that focuses on senior management achieving long-term business objectives and growth in shareholders' wealth through formulation of incentive arrangements, including KPIs and performance hurdles; and

(x) Formulating and reviewing in respect of human resource development (training) policies and human resource management policies, including the terms and conditions of service of our Company and the incentive schemes for the employees of our Group.

9.1.7 Service contracts with our Directors

As at the date of this Prospectus, there are no existing or proposed service contracts between our Directors and our Group.

9.1.8 Remuneration and material benefits in-kind of our Directors

No remuneration or material benefits in-kind was paid by our Company to our Directors for the year ended 31 December 2012 as all our Directors were appointed to our Board on 2 January 2013 save for Loong Mei Yin who was appointed to our Board on 10 January 2013. The aggregate remuneration and benefits in-kind proposed to be paid to our Directors for services rendered in all capacities to our Group for the year ending 31 December 2013 are as follows:

Director	Remuneration band For the year ending 31 December 2013 (Estimate)
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	RM150,001 - RM200,000
TSHM	RM2,600,001 - RM2,650,000
AA	RM750,001 - RM800,000
Mohammed Rashdan Mohd Yusof	RM100,001 - RM150,000
Hee Kang Yow	RM100,001 - RM150,000
RA	RM1,950,001 - RM2,000,000
Loong Mei Yin	RM100,001 - RM150,000

The remuneration of our Directors, which includes salaries, bonus, Directors' fees and such other allowances as well as other benefits, must be approved by our Board, following recommendations made by our NRC and subject to our Articles. Our Directors' fees must be further approved by our shareholders at a general meeting and where appropriate, notice of any proposed increase in Directors' fees should be given.

9.2 Key management

Our key management is responsible for our day-to-day management and operations. Our key management consists of experienced personnel in charge of matters related to plant production, finance and treasury, corporate finance, business development, corporate assurance (internal audit) and corporate secretarial.

The members of our key management as at the date of this Prospectus are as follows:

Name	Nationality	Age	Designation
TSHM	Malaysian	57	Executive Director/President and Chief Executive of Ranhill
AA	Malaysian	43	Executive Director/Chief Operating Officer of Ranhill
RA	Malaysian	55	Executive Director of Ranhill/Chief Executive Officer of RWorley
AZJ	Malaysian	59	Chief Executive Officer of RUSB
NAR	Malaysian	56	Chief Executive Officer of RPSB
Nazli Imran Mohd Mansor	Malaysian	44	Chief Operating Officer of RPSB
Ahmad Jafar @ Jaafar	Malaysian	48	Senior General Manager of RPI
Gan Kein Kok	Malaysian	57	Senior General Manager of RPII
Abdul Wahab Abdul Hamid	Malaysian	57	Chief Executive Officer of SAJH
Koh Boon Sian	Malaysian	44	Chief Executive Officer of RWT (Cayman)/ Senior Vice President of Group Corporate Finance of Ranhill
Ooi Kok Ping	Malaysian	50	Executive Director of RWT (Cayman)
Zainuddin Md Ghazali	Malaysian	58	Chief Operating Officer of RWSB
John Ashley Etherington	British	49	Chief Operating Officer of RWorley
Stale @ Still Anak Buri	Malaysian	57	Area Manager, East Malaysia Operations of RWorley
DRM	Malaysian	47	Senior Vice President of Group Accounting and Finance of Ranhill
Faizal Othman	Malaysian	48	Senior Vice President of Group Business Development of Ranhill
Monindar Kaur a/p Harcharan Singh	Malaysian	46	Senior Vice President of Group Corporate Assurance of Ranhill

Name	Nationality	Age	Designation
Lau Bey Ling	Malaysian	50	Company Secretary of Ranhill

The management and operations of our Group is led by TSHM, our Executive Director and President and Chief Executive.

9.2.1 Profiles of our key management

The profiles of TSHM, AA and RA are set out in Section 9.1.1 of this Prospectus. The profiles of our other key management are as follows:

AHMAD ZAHDI JAMIL, aged 59, was appointed as Chief Executive Officer of RUSB on 21 November 2002.

He graduated with a Bachelor degree in Business Administration from Ohio University, United States in 1976 and obtained a Masters in Business Administration from Marshall University, US in 1978. He also holds a Diploma in Business Studies from Universiti Teknologi MARA which he obtained in 1974. He is the President of The Malaysian Water Association.

He started his career as a Trainer and Consultant at Malaysia Entrepreneurial Development Centre, at Universiti Teknologi MARA in 1979 where he was involved in several entrepreneurial and business development projects locally and overseas. Subsequently in 1983, he joined the Malaysia Entrepreneurial Development Centre as Director and in 1988, he joined the Human Resources Consulting Unit in KPMG Peat Marwick, Kuala Lumpur as Senior Manager, responsible for training programmes and several corporatisation and privatisation exercises emphasising corporate restructuring, manpower planning and development and reorganisation. In 1992, he was appointed as the Country Director of Malaysia Office, Asian Institute of Management before joining SAJH as Executive Director in 1999. On 12 April 2002, he was appointed to the board of RUSB prior to being promoted to his present position.

NORLIAN ABD RAHIM, aged 56, was appointed as Chief Executive Officer of RPSB on 1 May 2009.

She graduated with a Diploma in Electrical Power Engineering from Institut Teknologi MARA *(now known as Universiti Teknologi MARA)* and obtained her Bachelor of Science in Electrical and Electronic Engineering degree from Portsmouth University, United Kingdom in 1985. She is an engineer registered with the Board of Engineers, Malaysia.

She began her career in 1985 with Lembaga Letrik Sabah before joining EPE Power Corporation Sdn Bhd *(now known as RPSB)* in 1992 as an Assistant Manager and was transferred to EPE Distribution Sdn Bhd ("**EDSB**") *(now known as Ranhill Power Distribution Sdn Bhd)* in 1994. She was involved in the power distribution project for Projek Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA) LRT and held several key positions in EDSB prior to her appointment as Deputy General Manager in 1997. In 1999, she joined RPI as General Manager where she was involved in managing RPI's 120 MW open cycle power plant and the conversion of the said power plant into the current 190 MW combined cycle power plant. In April 2008, she was promoted to Senior Vice President of RPSB where she was responsible for day-to-day management of all the operations of RPSB's subsidiaries including RPI, RPII, RPOM and RPOMII. In 2009, she was promoted to her present position.

NAZLI IMRAN MOHD MANSOR, aged 44, was appointed as Chief Operating Officer of RPSB on 1 September 2009.

He graduated with a Bachelor of Arts (Honours) degree in Accounting and Finance from University of Greenwich, London, United Kingdom, in 1992 and obtained his Masters in Business Administration from Southern Cross University, Australia, in 2000. He completed his Certificate in Project Management and Contract Administration with distinction from Teesside Tertiary College, United Kingdom in 1998. He is a Chartered Member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom.

He began his career in 1992 with Arthur Andersen & Co, and later joined a state-owned plantation management company as Group Internal Auditor in 1994. Subsequently, he joined Anika Insurance Brokers Sdn Bhd in 1995 as Internal Audit Manager prior to joining EPE Power Corporation Berhad *(now known as RPSB)* in 1997 as Head of Internal Audit. He was later promoted to the position of Head of Finance and Commercial of RPI in 2005 before joining United Engineers Malaysia Berhad group as General Manager until 2008. He rejoined RPSB as General Manager and was later promoted to the position of Chief Operating Officer in 2009, a position he has held until today.

He has more than 20 years experience in the power industry and had also been extensively involved in RPSB's debt restructuring and various financing exercises including RPSB's issuance of Islamic and non-Islamic instruments.

AHMAD BIN JAFAR @ JAAFAR, aged 48, was appointed as Senior General Manager of RPI on 1 March 2011.

He graduated with a degree in Mechanical Engineering from Universiti Teknologi Malaysia in 1987 and is a Professional Engineer registered with the Board of Engineers, Malaysia.

He began his career in 1987 with Sabah Electricity Board and later joined ARL Tenaga Sdn Bhd as Maintenance Engineer. In 1996, he joined Powertron Resources Sdn Bhd *(now known as RPI)* as Senior Operation Engineer and was later promoted to Operation Manager before being promoted to the position of Senior Manager in 2004. In 2011, he assumed his present position in RPI where he is responsible for the day-to-day operations of RPI and RPOM. He was involved in managing the project financing in relation to RPI's 120 MW open cycle power plant, the conversion of the said power plant into the current 190 MW combined cycle power plant and RPSB's debt restructuring exercise which was undertaken and completed in 2004.

GAN KEIN KOK, aged 57, was appointed as Senior General Manager of RPII on 1 March 2011.

He graduated from University of Teesside, United Kingdom in 1983 with a degree in Mechanical Engineering. He is currently registered as a Professional Engineer with the Board of Engineers, Malaysia, a Chartered Engineer with the Engineering Council in United Kingdom, a Licensed Professional Engineer with the Association of Professional Engineers of Ontario, a European Engineer with European Federation of National Engineering Associations, an Asia-Pacific Economic Corporation (APEC) Engineer, and a Chartered Professional Engineer (National Professional Engineers Register - 3) with National Professional Engineers Register, Australia.

He began his career in 1981 with Central Electricity Generating Board, United Kingdom before joining Tenaga Ewbank Preece Sdn Bhd in 1984 as Mechanical Engineer where he was involved notably in National Electricity Board's Port Klang Power Station and Paka CCGT Power Station. Subsequently, in 1988, he joined ABB Asea Brown Boveri, Canada as an engineer before joining Ontario Hydro Provincial Utility Board, Canada in 1989, also as an engineer (Mechanical/Electrical) until 1993. In 1993, he joined ABB Power Generation (M) Sdn Bhd as Senior Engineer. In 1996, he was appointed as Project Manager in Ryoden-Mitshubishi Electric Sdn Bhd prior to him joining GE Power Systems (M) Sdn Bhd as Project Manager in 1997, a position he served until 2000. In 2000, he was appointed as Deputy General Manager in Minconsult Sdn Bhd where he served until 2004. He was last attached with MOX Gases Sdn Bhd, a subsidiary of Malaysian Oxygen Berhad, serving from 2004 until 2005 before joining RPI in 2005 as Project Manager. In 2007, he joined Leader Universal Holdings Berhad as General Manager and subsequently in 2008, he rejoined RPII as General Manager. He was promoted to Senior General Manager in 2011, a position he has held until today.

During his tenure at RPI and RPII, he was involved in managing the conversion works for RPI's 120 MW open cycle power plant into the current 190MW combined cycle power plant. He was also responsible for the overall construction of RPII's 190 MW combined cycle power plant.

ABDUL WAHAB ABDUL HAMID, aged 57, was appointed as Chief Executive Officer of SAJH on 1 August 2009.

He obtained his Bachelor of Science (Honours) degree in Civil Engineering from Loughborough University, United Kingdom in 1979 and his Masters in Business Administration from Ohio University, US in 1991.

His career began in 1979 with the Public Works Department as an Executive Engineer. He subsequently joined Pilecon Engineering Berhad in 1982, where his last position was Executive Director of its property division. In 1994, he joined Renong Berhad, holding several positions in its subsidiaries, notably as Group Managing Director of Prolink Development Sdn Bhd. Subsequently in 1999, he joined Golden Hope Plantation Berhad as Group Director Property cum Chief Executive Officer of Negara Properties (M) Bhd. In 2001, he joined Ranhill Civil Sdn Bhd as Chief Executive Officer before assuming the position of Chief Operating Officer of SAJH in 2005.

KOH BOON SIAN, aged 44, was appointed as Chief Executive Officer of RWT (Cayman) on 1 June 2009. He was also appointed as Senior Vice President of Group Corporate Finance of our Company on 14 June 2013.

He obtained his Bachelor of Accountancy (Honours) degree from Universiti Malaya in 1993 and is a Member of the Malaysian Institute of Accountants.

Upon graduation in 1993, he joined Renong Berhad as a management trainee and subsequently joined TH Loy Industries Berhad as an Internal Audit Executive in 1994. In 1995, he joined Crest Petroleum Berhad where he was involved in setting-up the finance department of a joint-venture company. Between 1995 and 1997, he served as Commercial Manager of Probadi Indonesia Sdn Bhd, a representative office of Renong Berhad's oil and gas division. He then joined Keretapi Tanah Melayu Berhad in 1998 as its Property Manager and subsequently joined SAJH in October 1999 as Senior Finance Manager. In 2004, he was appointed as Senior Vice President in the Corporate Finance Department of RB.

OOI KOK PING, aged 50, was appointed as Executive Director of RWT (Cayman) on 1 June 2009.

He graduated with a Bachelor of Science (Honours) degree from Universiti Malaya in 1987.

He started his career with CSC Kemico Sdn Bhd as Work Chemist in 1987. In 1991, he formed his own company United Chemasia Sdn Bhd and held the position of Technical Director until 2004 before joining RWT as an Executive Director in 2004. He has more than 20 years experience in water and wastewater treatment projects and has been involved in the design and installation of more than 100 treatment plants.

ZAINUDDIN MD GHAZALI, aged 58, was appointed as Chief Operating Officer of RWSB on 1 January 2013.

He obtained his Diploma in Civil Engineering in 1977 from Universiti Teknologi Malaysia and his Bachelor of Science degree in Civil Engineering from University of Glasgow in 1980. He obtained his Masters of Science in Environmental Engineering from Asian Institute of Technology Bangkok in 1989. He is a Professional Engineer registered with the Board of Engineers, Malaysia, a Member of the Institution of Engineers, Malaysia and a Member of the Malaysian Water Association.

He began his career in Public Works Department in 1981, where he held several positions until his eventual promotion to the position of Senior Project Engineer in 1989. In 1992, he joined the Water Supply Department Johor as District Engineer and left in 1994 to join SAJSB as District Manager. He joined SAJH in 1999 as Senior Manager of the Asset Replacement Department, and held several key positions. He was promoted to General Manager Operations in 2008 before being promoted to his current position in 2013.

JOHN ASHLEY ETHERINGTON, aged 49, was appointed as Chief Operating Officer of RWorley on 1 February 2011.

He obtained his Bachelor of Science (Honours) degree in Instrumentation and Control Engineering in 1986 from University of Teesside, United Kingdom. He is a Member of the Institution of Electrical Engineers, United Kingdom, a Member of the Engineering Council and a Member of the Board of Engineers, Malaysia.

He began his career in British Steel Corporation as an Instrument Engineer in 1986 before joining Imperial Chemicals Industries in 1988, also as an Instrument Engineer. Subsequently, he moved to McDermott Engineering (Europe) Ltd, Aberdeen, assuming the position of Instrument Engineer in 1991. He then joined AMEC Offshore Developments Ltd as a Lead Instrument Manager until 1994. Between 1994 and 2003, he held positions in Worley Limited, Ranhill Worley Sdn Bhd and WorleyParsons Qatar WLL before being appointed as Senior Project Manager of RWorley in 2003. During his tenure in RWorley, he was also appointed as Manager of Projects, Operations Manager and was eventually promoted to Chief Operating Officer in 2011, a position he has held until today.

STALE @ STILL ANAK BURI, aged 57, was appointed as Area Manager, East Malaysia Operations of RWorley on 1 July 2010.

He obtained his Bachelor of Science (Honours) degree in Civil Engineering from University College of Wales, Swansea, United Kingdom in 1980. He graduated with a Bachelor of Law (Honours) degree from Wolverhampton University, United Kingdom in 1997 and subsequently in 2005, obtained his Master Certificate in Project Management from George Washington University in 2005. He is a Member of the Board of Engineers, Malaysia.

He began his career in 1980 when he joined Shell Sabah Petroleum Co, Labuan as a Fabrication Site Engineer. In 1983, he joined Sarawak Shell Berhad as a Fabrication Liaison Engineer and over a span of 25 years with Shell group of companies, he served in various capacities ranging from Course Director with Shell Global Solutions, C30, Hague, The Netherlands, as Senior Structural Engineer with Shell EXPRO at Aberdeen, Scotland, as Offshore Operation Installation Manager for the M3 gas field complex (Offshore) until his last posting with Sarawak Shell Berhad as a Senior Advisor on Non Shell Operated Venture in Kuala Lumpur. In 2008, he joined RWorley as Senior Project Manager and was promoted to his current position in July 2010 where he is responsible for the overall management for the Oil & Gas Engineering Design Office comprising 230 staff in Miri, Bintulu, Labuan and Kota Kinabalu. He has over 30 years of working experience in the oil and gas industry including works done in the South China Sea, North Sea and in The Netherlands.

DON RASHID MUSTAFA, aged 47, was appointed as Senior Vice President of Group Accounting and Finance of our Company on 14 June 2013.

He obtained his Diploma in Accounting from Kolej Damansara Utama in 1985 and later pursued his Association of Chartered Certified Accountants at Trent Polytechnic Nottingham, United Kingdom in 1987 and Emile Wolf College of Accountancy in London, United Kingdom in 1991.

He began his career as a Trainee Accountant with Majainah & Co, Public Accountant in London in 1988. Upon returning to Malaysia in 1991, he joined Ahmad Abdullah & Goh, Chartered Accountants as an Audit Senior. He later joined Kuala Lumpur Stock Exchange *(now known as Bursa Securities)* as Inspectorate Officer from 1994 to 1997 and subsequently joined PB Securities Sdn Bhd, a stockbroking arm of Public Bank Berhad as Internal Audit Manager. Between 1998 and 2001, he was Assistant Vice-President of Investors Relations in OSK Securities Berhad.

He began his career in RB in 2001 as an internal auditor where he was responsible for setting-up the Internal Audit Department and developing the Risk Management Framework of the RB Group. From 2004 to 2006, he held the position of Head of Project Control Office and in 2006, he was promoted as Acting Chief Operating Officer of Ranhill Power Berhad *(now known as RPSB)* where he was responsible for the companies outside the power generation business within the Ranhill Power Berhad group. Between 2007 and 2009, he was the General Manager of Group Operations of RB and in 2009, he held the post of Senior Vice President of Group Accounts.

FAIZAL OTHMAN, aged 48, was appointed as Senior Vice President of Group Business Development of our Company on 14 June 2013.

He graduated with his Bachelor of Engineering (Civil) degree from University of Tennessee, US in 1991. He started his career as a Civil Engineer in 1991 with SMHB Sdn Bhd. In 1996, he moved to Thames Water Malaysia Sdn Bhd as the Planning Engineer, where he played key roles in the development of its businesses in Malaysia. In 2003, he took up the position of Senior Manager in Ranhill Utilities Berhad's (now known as RUSB) Business Development Division and he was subsequently promoted to General Manager in 2005. In 2009, he assumed the position of Senior Vice President of Business Development in RB where he played significant roles in the group's acquisition of RWT and the formation of RWS.

MONINDAR KAUR A/P HARCHARAN SINGH, aged 46, was appointed as Senior Vice President of Group Corporate Assurance of our Company on 14 June 2013.

She graduated with a Bachelor of Economics degree from Monash University, Australia in 1990. She is a Certified Practising Accountant ("**CPA**") of CPA Australia and Chartered Accountant of the Malaysian Institute of Accountants. She was conferred the CPA Fellowship in 2007.

She began her career with Messrs. Arthur Andersen & Co in 1990 and subsequently joined RBSB in 1995 where she assumed the position of Chief Accountant. She was appointed as Chief Accountant of RB in February 2001 prior to joining Ranhill Engineers and Constructors Sdn Bhd ("**RESCB**") *(now known as REPC)* as General Manager of Corporate Services. In 2005, she was promoted to General Manager for Ranhill Power Berhad *(now known as RPSB)* where she was responsible for Group Accounting and Finance. In 2007, she was appointed as Chief Financial Officer for RECSB before rejoining RB as Senior Vice President of Group Corporate Assurance in 2009, a position she held until 2013. She has more than 20 years of professional and commercial experience and has been widely involved in a variety of assignments in various industries via audits, financial consulting and corporate advisory for listed companies, government related companies and multinationals.

LAU BEY LING, aged 50, was appointed as the Company Secretary of our Company on 2 January 2013.

She is a Chartered Secretary and an Associate of both the United Kingdom and Malaysian Institute of Chartered Secretaries and Administrators since 1994. Her career in RBSB began in 1996 as Company Secretary where she set up its secretarial department. She was also appointed as Company Secretary of RB upon its incorporation in 1997 and was involved with the restructuring of RB group and the listing of RB on the Kuala Lumpur Stock Exchange *(now known as Bursa Securities)*, a position she still holds until today.

She has more than 20 years of company secretarial experience. Prior to joining RBSB, she gained her working experience in several secretarial management firms with international affiliations, public listed companies across various industries, government related companies and multinationals.

9.2.2 Shareholding of our key management

The following table sets forth the direct and indirect shareholdings of each of our key management before and after our IPO (assuming full subscription for the Issue Shares allocated to them under our IPO) as follows:

	Before our IPO				After our IPO[1]			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
TSHM	15,468,203	2.45	360,571,675	[4]57.07	15,629,203	1.62	360,571,675	[4]37.49
AA	867,268	0.14	-	-	1,028,268	0.11	-	-
AZJ	547,248	0.09	-	-	644,248	0.07	-	-
NAR	-	-	-	-	97,000	0.01	-	-
RA	-	-	-	-	161,000	0.02	-	-
Nazli Imran Mohd Mansor	-	-	-	-	97,000	0.01	-	-
Ahmad Jafar @ Jaafar	-	-	-	-	97,000	0.01	-	-
Gan Kein Kok	-	-	-	-	90,000	0.01	-	-
Abdul Wahab Abdul Hamid	-	-	-	-	95,000	0.01	-	-
Koh Boon Sian	-	-	-	-	97,000	0.01	-	-
Ooi Kok Ping	-	-	-	-	97,000	0.01	-	-
Zainuddin Md Ghazali	-	-	-	-	97,000	0.01	-	-
John Ashley Etherington	-	-	-	-	97,000	0.01	-	-
Stale @ Still Anak Buri	-	-	-	-	48,000	*	-	-
DRM	-	-	-	-	97,000	0.01	-	-
Faizal Othman	-	-	-	-	95,000	0.01	-	-
Monindar Kaur a/p Harcharan Singh	-	-	-	-	97,000	0.01	-	-
Lau Bey Ling	-	-	-	-	55,000	0.01	-	-

Notes:

* *Negligible*

(1) *Excludes Shares that they may subscribe under the Malaysian public's portion.*

(2) *Based on our issued and paid-up share capital of 631,766,000 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of 961,766,000 Shares.*

(4) *Deemed interested by virtue of his direct shareholdings in LOSB and RCorp pursuant to Section 6A of the Act.*

9.2.3 Involvement of our key management in other businesses or corporations

Save as disclosed below and in Section 9.1.3 of this Prospectus, none of our key management are involved in the management and day-to-day operations of other businesses or corporations:

Key management	Directorship	Principal activities	Involvement in business activities other than as a director
AZJ	*Present directorships:* • Assuredwell Construction Sdn Bhd • Bangga Ulung Sdn Bhd • HBO Sdn Bhd • Konsortium Ranhill Nada Cekal Sdn Bhd • LOSB • Malaysian Water Academy Sdn Bhd • Rancak Bistari Sdn Bhd • Ranhill Foundation • Standard Trend Sdn Bhd	• Carrying on the business of contracting acquisitions of lands and houses and general trading • Investment of properties • Management consulting services • Dormant • Investment holding • To provide training, conduct research and organise courses, seminars and conference relating to the water industry • Investment holding and provision of management services • Dormant • General trading	• Direct shareholder of LOSB • Direct shareholder of HBO Sdn Bhd • Direct shareholder of Malaysia Water Academy Sdn Bhd • Direct shareholder of Rancak Bistari • Direct shareholder of Standard Trend Sdn Bhd President of the Malaysian Water Association • Trustee of Ranhill Foundation
NAR	*Present directorships:* • Ranhill Bhola Holdings Sdn Bhd • Ranhill Bhola Power Sdn Bhd • Ranhill Power Projects Sdn Bhd • Ranhill Services Sdn Bhd	• Investment holding • Investment holding • Dormant • Dormant	
Nazli Imran Mohd Mansor	*Present directorship:* • NJay Resources Sdn Bhd	• Dormant	• Direct shareholder of NJay Resources Sdn Bhd
Abdul Wahab Abdul Hamid	*Present directorship:* • Straits Consulting Engineers Sdn Bhd	• Conduct management and consultation works in geotechnical, to undertake business of ground investigation and to undertake business of fields and laboratory	
Koh Boon Sian	*Present directorship:* • Konsortium Ranhill Nada Cekal Sdn Bhd	• Dormant	
Ooi Kok Ping	*Present directorship:* • Sierra Master (M) Sdn Bhd	• Investment holding	• Direct shareholder of Sierra Master (M) Sdn Bhd
Zainuddin Md Ghazali	*Present directorship:* • Assuredwell Construction Sdn Bhd	• Carrying the business of contracting, acquisition of lands and houses and general trading	

Key management	Directorship	Principal activities	Involvement in business activities other than as a director
DRM	*Present directorships:*		
	• Mediglobal Malaysia Sdn Bhd	• Dormant	
	• Ranhill Sri Gading Sdn Bhd	• Dormant	
Faizal Othman	*Present directorship:*		
	• Assuredwell Construction Sdn Bhd	• Carrying the business of contracting, acquisition of lands and houses and general trading	
	• Konsortium Ranhill Nada Cekal Sdn Bhd	• Dormant	

The involvement of our key management in other businesses and/or corporations as highlighted above are not expected to affect their contribution to our Group as our key management are not actively involved in the management and day-to-day operations of these businesses and/or corporations whereby their involvement are only to the extent of attending board or shareholders' meetings.

9.2.4 Service contracts with our key management

As at the date of this Prospectus, there are no existing or proposed service contracts between our key management and our Group.

9.3 Promoters and substantial shareholders

9.3.1 Profiles of our Promoters

(i) TSHM

The profile of TSHM is set out in Section 9.1.1 of this Prospectus.

(ii) LOSB

LOSB was incorporated in Malaysia under the Act on 18 July 1995 as a private limited company. It is principally an investment holding company.

LOSB has an authorised share capital of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each as at the LPD.

As at the LPD, the Directors of LOSB are TSHM and AZJ. The substantial shareholders of LOSB and their respective shareholdings in LOSB as at the LPD are as follows:

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
TSHM	9,000,000	90.00	-	-
AZJ	500,000	5.00	-	-
Dato' Sri Che Khalib Mohamad Noh	500,000	5.00	-	-

(iii) RCorp

RCorp was incorporated in Malaysia under the Act on 27 July 1995 as a private limited company. It is principally involved in the business of providing engineering and construction services.

RCorp has an authorised share capital of RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each as at the LPD.

As at the LPD, the Directors of RCorp are TSHM and AA. The substantial shareholder of RCorp and his shareholding in RCorp as at the LPD is as follows:

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
TSHM	1,999,999	99.99	-	-

9.3.2 Profiles of our substantial shareholders

(i) TSHM

TSHM is also one of our Promoters. The profile of TSHM is set out in Section 9.1.1 of this Prospectus.

(ii) LOSB

LOSB is also one of our Promoters. The profile of LOSB is set out in Section 9.3.1 of this Prospectus.

(iii) RCorp

RCorp is also one of our Promoters. The profile of RCorp is set out in Section 9.3.1(iii) of this Prospectus.

(iv) Cheval

Cheval is a regional investment fund that undertakes investments to generate returns for its investors and is an exempted limited partnership registered under the laws of the Cayman Islands.

Cheval's investment activities are made through TAEL Management Co. (Cayman) Ltd, an exempted company incorporated under the laws of the Cayman Islands, acting in it capacity as the general partner of Cheval.

By virtue of Cheval being an exempted limited partnership, Cheval does not issue any shares and does not have any shareholders or directors.

The investor base of Cheval comprises offshore and/or foreign institutions and corporations. In addition, none of our Directors, key management, Promoters and other substantial shareholders are investors in Cheval.

Save for the relationship disclosed in Section 9.4(d) of this Prospectus, there are no family relationship and/or associations between Cheval, TAEL Management Co. (Cayman) Ltd and our Directors, key management, Promoters and substantial shareholders. In addition, save as disclosed in Section 9.1.3 of this Prospectus, none of our Directors, key management, Promoters and substantial shareholders has any shareholding in TAEL Management Co. (Cayman) Ltd.

9.3.3 Shareholding of our substantial shareholders

The following table sets forth the direct and indirect shareholdings of our substantial shareholders before and after our IPO based on our Register of Substantial Shareholders' Shareholdings as at the date of this Prospectus:

	Before our IPO				After our IPO[1]							
					Assuming Over-allotment Option is not exercised				Assuming Over-allotment Option is fully exercised			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%	No. of Shares	[3]%	No. of Shares	[3]%
Cheval	228,988,359	36.25	-	-	151,988,359	15.80	-	-	113,528,359	11.80	-	-
LOSB	277,392,775	43.91	-	-	277,392,775	28.84	-	-	277,392,775	28.84	-	-
RCorp	83,178,900	13.17	-	-	83,178,900	8.65	-	-	83,178,900	8.65	-	-
TSHM	15,468,203	2.45	360,571,675	[4]57.07	15,629,203	1.62	360,571,675	[4]37.49	15,629,203	1.62	360,571,675	[4]37.49

Notes:

(1) *Assuming full subscription of the Issue Shares allocated to TSHM under our IPO but excludes Shares that TSHM may subscribe under the Malaysian public's portion.*

(2) *Based on our issued and paid-up share capital of 631,766,000 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of 961,766,000 Shares.*

(4) *Deemed interested by virtue of his direct shareholdings in LOSB and RCorp pursuant to Section 6A of the Act.*

9.3.4 Changes in the Promoters' and substantial shareholders' shareholdings in our Company since incorporation

The table below sets forth our Promoters' and/or our substantial shareholders' direct and indirect shareholdings in our Company since our incorporation on 17 August 2012 up to 14 June 2013:

	As at 17 August 2012				As at 31 December 2012				As at 14 June 2013			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tay Soong Seng	1	50.00	-	-	1	50.00	-	-	1	*	-	-
Fong Kin Hong	1	50.00	-	-	1	50.00	-	-	1	*	-	-
Cheval	-	-	-	-	-	-	-	-	228,988,359	36.25	-	-
LOSB	-	-	-	-	-	-	-	-	277,392,775	43.91	-	-
RCorp	-	-	-	-	-	-	-	-	83,178,900	13.17	-	-
TSHM	-	-	-	-	-	-	-	-	15,468,203	2.45	360,571,675	(1)57.07

Notes:

* *Negligible.*

(1) *Deemed interested by virtue of his direct shareholdings in LOSB and RCorp pursuant to Section 6A of the Act.*

9.3.5 Involvement of our substantial shareholders in other businesses or corporations (other than our jointly-controlled entities and associates) which carry on a similar trade as that of our Group or which are our customers and/or suppliers

Save as disclosed below and in Section 9.1.4 of this Prospectus, as at the LPD, none of our substantial shareholders have any interest, direct or indirect, in other businesses or corporations (other than our jointly-controlled entities and associates) which are (i) carrying on a similar trade as that of our Group; or (ii) our customers and/or suppliers.

Substantial Shareholder	Business/Corporation	Nature of interest	Direct Interest (%)	Indirect interest (%)
Cheval	*Our supplier:* • Ranhill Global Systems Sdn Bhd	• Substantial shareholder of Ranhill Global Systems Sdn Bhd	-	100.00
	Our customer: • REPC	• Substantial shareholder of REPC	-	100.00
LOSB	*Our supplier:* • Ranhill Global Systems Sdn Bhd	• Substantial shareholder of Ranhill Global Systems Sdn Bhd	-	100.00
	Our customer: • REPC	• Substantial shareholder of REPC	-	100.00
RCorp	*Our supplier:* • Ranhill Global Systems Sdn Bhd	• Substantial shareholder of Ranhill Global Systems Sdn Bhd	-	100.00
	Our customer: • REPC	• Substantial shareholder of REPC	-	100.00

Our substantial shareholders and Directors are of the view that the interests that are held by them and the interests that may be held by them in the future in other businesses and corporations which are either customers and/or suppliers of our Group may give rise to a conflict of interest situation. Accordingly, such substantial shareholders and persons connected to them shall abstain from deliberation and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. In the event such matters or transactions require the approval of the relevant Board of Directors of the companies in our Group including our Company, such Directors who are deemed interested or conflicted in such matters or transactions by virtue of their relationship with our substantial shareholders or other relationship shall declare their interest to our Board and similarly abstain from deliberation and voting on the resolutions relating to these matters or transactions.

9.4 Relationships and associations between our Directors, key management, Promoters and substantial shareholders

Save as disclosed below, there are no family relationship and/or associations between any of our Directors, key management, Promoters and substantial shareholders:

(a) TSHM who is our Executive Director/President and Chief Executive is also a director and substantial shareholder of RCorp and LOSB. RCorp and LOSB are our promoters and substantial shareholders;

(b) AA who is our Executive Director/Chief Operating Officer is also a director and shareholder of RCorp. RCorp is our promoter and substantial shareholder;

(c) AZJ who is the Chief Executive Officer of RUSB is also a director and substantial shareholder of LOSB. LOSB is our promoter and substantial shareholder; and

(d) Loong Mei Yin who is our Non-Independent Non-Executive Director is an executive director of TAEL Management Co. (Cayman) Ltd, the general partner of Cheval. Cheval is our substantial shareholder.

9.5 Declaration by our Directors, key management and Promoters

None of our Directors, key management and Promoters is and has been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person is or was a partner or any corporation of which such person was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part, directly or indirectly, in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

In 2011, Unaoil Limited ("**Unaoil**"), a company incorporated under the laws of the British Virgin Islands, commenced proceedings in the UK against a former subsidiary of REPC called Ranhill Middle East FZE ("**RME**"), REPC and ARC ("**UK Proceedings**") for commissions payable under an agency agreement entered into in 2006 between Unaoil and RME ("**Agency Agreement**"). The commissions were for Unaoil's alleged provision of advisory and consultancy services in respect of the award of the Libyan housing project by the Libyan Government's Housing and Infrastructure Board to ARC ("**Services**"). In June 2012, the UK High Court found that Unaoil did not have a real prospect of success in showing that either ARC or REPC was liable to pay the sums due under the Agency Agreement and that the only party liable thereon was RME. Accordingly, the UK High Court had set aside leave to serve the UK Proceedings outside the jurisdictions on ARC and REPC.

On 24 June 2013, Unaoil served a writ of summons on TSHM in respect of a civil suit that Unaoil had filed in the High Court of Malaya, Kuala Lumpur on 31 May 2013 ("**Malaysian Suit**"). The civil suit had named RB, TSHM, AA, ARC and one other individual as defendants (collectively, "**Defendants**"). The claims against the Defendants in the Malaysian Suit are diverse, including amongst others, breach of a collateral contract to pay the alleged outstanding fees of USD44,658,879.00 (or RM152,376,095.15) to Unaoil for the Services, procurement of the breach of the Agency Agreement, lifting of the corporate veil of RME by reason of fraud and deception, conspiracy to injure Unaoil, fraudulent misrepresentations and deceit.

The solicitors acting for TSHM and RB, and AA respectively are of the view that there is good prospect of succeeding in an application to stay or strike out the civil suit on the ground of *forum non conveniens* (i.e. that a Malaysian court is not the proper forum for the determination of the claim). In addition, the said solicitors have expressed a belief that there is a reasonable to good chance of succeeding in striking out the civil suit on the ground of res judicata or issue estoppel (i.e. where the plaintiff should have included all causes of action and joined all relevant parties to the earlier UK Proceedings). In effect, the said solicitors have opined that Unaoil should have included the claims and joined the Defendants (in the Malaysian Suit) to be dealt with fully and completely in the UK Proceedings.

As at the LPD, RB, ARC, REPC and RME are not entities within our Group and there is no outstanding obligation owed by RB, ARC, REPC or RME to our Group as at the LPD.

9.6 Other matters

Save as disclosed in Section 9.1.8 of this Prospectus, no other amounts or benefits have been paid or intended to be paid to our Directors, Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus, except for remuneration received by our Directors in the course of their employment and directors' fees.

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10.1 Historical pro forma consolidated financial information

Our Company was incorporated on 17 August 2012 and the first set of audited financial statements of our Company has been prepared from the date of its incorporation up to 30 September 2012.

The following selected historical financial information for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 have been derived from the pro forma consolidated financial information of our Group for the corresponding financial years or financial period under review and should be read in conjunction with the "Management's discussion and analysis of pro forma financial condition and results of operations" set out in Section 10.2 of this Prospectus together with the Reporting Accountants' letter on the pro forma consolidated financial information as set out in Section 10.6 of this Prospectus.

The pro forma consolidated statements of comprehensive income for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 have been prepared on the assumption that our Group has been in existence throughout the periods under review. As such, it is assumed that the Internal Reorganisation, the Pre-IPO Reorganisation and the Proposed RWT (Cayman) Acquisitions had been completed on 1 July 2009 such that RWT (Cayman) and RUSB are assumed to be our wholly-owned subsidiaries effective from 1 July 2009. The pro forma consolidated statement of cash flows for the year ended 31 December 2012 has been prepared on the assumption that the Internal Reorganisation, the Pre-IPO Reorganisation, the Proposed RWT (Cayman) Acquisitions, our IPO, our Listing and utilisation of the estimated proceeds from our IPO in the manner set out in Section 4.10 of this Prospectus, had been completed on 1 January 2012. The pro forma consolidated statement of financial position as at 31 December 2012 is prepared on the assumption that the Internal Reorganisation, the Pre-IPO Reorganisation, the Proposed RWT (Cayman) Acquisitions, our IPO and our Listing had been completed on 31 December 2012.

As the pro forma consolidated financial statements are prepared for illustrative purposes only, such information, because of its nature, may not be reflective of our Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of our Group.

10.1.1 Pro forma consolidated statements of comprehensive income

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
	(RM'000)	(RM'000)	(RM'000)
Revenue	1,374,843	2,505,439	2,043,603
Cost of sales	(935,960)	(1,740,883)	(1,440,145)
Gross profit	438,883	764,556	603,458
Interest income	17,023	67,407	84,854
Other income	1,421,115	23,817	60,955
Administrative expenses	(202,105)	(369,349)	(255,075)
Other operating expenses	(1,489)	(3,260)	(6,465)
Tendering and marketing expenses	(4,402)	(4,446)	(3,098)
Finance costs	(89,094)	(117,123)	(87,984)
Zakat	-	(3,336)	(1,968)
Share of results of associates	850	(9,071)	-
PBT	1,580,781	349,195	394,677
Income tax expense	(45,222)	(36,072)	(108,929)
PAT	**1,535,559**	**313,123**	**285,748**

	Year ended 30 June 2010 (RM'000)	18 months ended 31 December 2011 (RM'000)	Year ended 31 December 2012 (RM'000)
Other comprehensive income:			
Foreign currency translation, representing other comprehensive income for the period/year, net of tax	(9,242)	(1,460)	(2,996)
Total comprehensive income for the period/year	**1,526,317**	**311,663**	**282,752**
PAT attributable to:			
Equity holders of our Company	1,490,798	228,054	199,748
Non-controlling interests	44,761	85,069	86,000
	1,535,559	**313,123**	**285,748**
Total comprehensive income attributable to:			
Equity holders of our Company	1,481,620	226,431	196,807
Non-controlling interests	44,697	85,232	85,945
	1,526,317	**311,663**	**282,752**
EBITDA [(1)]	1,814,755	680,030	598,455
Gross profit margin [(2)] (%)	31.92	30.52	29.53
EBITDA margin [(3)] (%)	[(8)]132.00	27.14	29.28
PBT margin [(4)] (%)	[(8)]114.98	13.94	19.31
PAT margin [(5)] (%)	[(8)]111.69	12.50	13.98
Basic EPS [(6)] (RM)	2.36	0.36	0.32
Diluted EPS [(7)] (RM)	1.55	0.24	0.21

Notes:

(1) *EBITDA represents earnings before interest, taxation, depreciation and amortisation.*

(2) *Computed based on gross profit over total revenue.*

(3) *Computed based on EBITDA over total revenue.*

(4) *Computed based on PBT over total revenue.*

(5) *Computed based on PAT over total revenue.*

(6) *Computed based on PAT attributable to equity holders of our Company over approximately 631.8 million Shares, being the number of Shares in issue prior to the Public Issue.*

(7) *Computed based on PAT attributable to equity holders of our Company over the enlarged share capital of approximately 961.8 million Shares, after taking into account the Public Issue.*

(8) *The higher margin is due to the unusual non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB in connection with the Migration.*

10.1.2 Pro forma consolidated statement of financial position

	Audited	Pro forma I	Pro forma II	Pro forma III
	As at 31 December 2012	After the Internal Reorganisation and the Pre-IPO Reorganisation	After Pro forma I and the Proposed RWT (Cayman) Acquisitions	After Pro forma I, II, our IPO, Listing and utilisation of proceeds
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-current assets				
Property, plant and equipment	-	616,709	621,389	621,389
Investment properties	-	375	375	375
Operating financial assets	-	152,360	292,453	292,453
Service concession assets	-	364,735	364,735	364,735
Intangible assets	-	328,446	347,829	347,829
Finance lease receivables	-	699,831	699,831	699,831
Deferred tax assets	-	338,858	339,212	339,212
Trade and other receivables	-	70,546	70,590	70,590
	-	2,571,860	2,736,414	2,736,414
Current assets				
Operating financial assets	-	5,359	10,286	10,286
Inventories	-	58,907	59,209	59,209
Finance lease receivables	-	30,430	30,430	30,430
Trade and other receivables	-	411,047	416,040	416,040
Tax recoverable	-	6,174	6,403	6,403
Other financial assets	-	43,554	43,554	43,554
Other current assets	136	101,589	102,469	102,469
Deposits, cash and bank balances	-	453,399	459,629	519,629
	136	1,110,459	1,128,020	1,188,020
Total assets	136	3,682,319	3,864,434	3,924,434
Equity and liabilities				
Equity attributable to equity holders of our Company				
Share capital	-	631,766	631,766	961,766
Share premium	-	852,884	852,884	1,118,421
Currency translation reserve	-	(4,178)	(4,218)	(4,218)
Equity component of convertible unsecured loan stocks	-	1,049	1,049	1,049
Retained earnings	(4,383)	356,182	356,182	331,347
Merger deficit	-	(1,495,538)	(1,495,538)	(1,495,538)
	(4,383)	342,165	342,125	912,817
Equity contribution and other reserves	-			
Non-controlling interests	-	333,118	333,118	333,118
Total equity	(4,383)	675,283	675,243	1,245,945

	Audited	Pro forma I	Pro forma II	Pro forma III
	As at 31 December 2012	After the Internal Reorganisation and the Pre-IPO Reorganisation	After Pro forma I and the Proposed RWT (Cayman) Acquisitions	After Pro forma I, II, our IPO, Listing and utilisation of proceeds
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-current liabilities				
Retirement benefit obligations	-	54,049	54,049	54,049
Finance lease payables	-	1,212	1,257	1,257
Long term borrowings	-	1,855,098	1,903,158	1,538,619
Trade and other payables	-	569	569	569
Service concession obligations	-	171,869	171,869	171,869
Consumer deposits	-	141,485	141,485	141,485
Deferred tax liabilities	-	35,761	39,371	39,371
	-	2,260,043	2,311,758	1,947,219
Current liabilities				
Retirement benefit obligations	-	4,664	4,664	4,664
Finance lease payables	-	702	725	725
Short term borrowings	-	72,321	78,855	76,692
Zakat	-	4,335	4,335	4,335
Trade and other payables	4,519	472,529	589,202	445,202
Other current liabilities	-	20,055	27,261	27,261
Service concession obligations	-	164,402	164,402	164,402
Income tax payables	-	7,985	7,989	7,989
	4,519	746,993	877,433	731,270
Total liabilities	4,519	3,007,036	3,189,191	2,678,489
Total equity and liabilities	136	3,682,319	3,864,434	3,924,434
Number of Shares in issue ('000)	-*	631,766	631,766	961,766
NA [(1)]	(4,383)	342,165	342,125	912,827

Notes:

* *Represents 2 Shares*

[(1)] *Being NA attributable to ordinary shareholders (excluding non-controlling interests).*

10.1.3 Pro forma consolidated statement of cash flows

	Year ended 31 December 2012 (RM'000)
Cash flows from operating activities	
Cash receipts from customers	2,025,223
Cash paid to suppliers, employees and contractors	(1,595,947)
Cash from operations	429,276
Tax paid	(35,266)
Net cash flows generated from operating activities	394,010
Cash flows from investing activities	
Net fixed deposit withdrawn for banking facility	558
Interest income from fixed deposits	10,158
Proceeds from the disposal of property, plant and equipment	580
Purchase of property, plant and equipment including softwares	(48,235)
Proceed from disposal of subsidiaries	2
Other investment	(43,519)
Acquisition of additional interest in RWT Cayman	(104,000)
Additional investment in associates	(705)
Net cash flows used in investing activities	(185,161)
Cash flows from financing activities	
Interest paid	(86,569)
Dividends paid to holding company	(146,493)
Capital contribution from shareholders	10
Repayment of borrowings	(449,241)
Settlement of amount due to RB	(93,810)
Net advances to related parties	(10,594)
Advances to a jointly controlled entitiy	(2,237)
Restricted deposits, cash and bank balances	(1,930)
Estimated proceeds from IPO	610,500
Estimated IPO expenses	(34,000)
Drawdown from borrowings	65,690
Finance lease principal payments	(741)
Net cash flows used in financing activities	(149,415)
Net increase in cash and cash equivalents	59,434
Effect of foreign exchange rate changes	(1,345)
Cash and cash equivalents at beginning of period	222,865
Cash and cash equivalents at end of period	**280,954**
Cash and bank balances	519,629
Deposits pledged as securities to licensed banks	(4,662)
Restricted deposits	(227,700)
Deposits with maturities of three months or more	(2,653)
Bank overdrafts	(3,660)
Cash and cash equivalents	**280,954**

10.2 Management's discussion and analysis of pro forma financial condition and results of operations

The following discussion and analysis of our pro forma consolidated financial information with respect to the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 are based on, and should be read in conjunction with, our pro forma consolidated financial information as set out in Section 10.6 of this Prospectus. The pro forma consolidated financial information has been prepared in accordance with the MFRS and in a manner consistent with both the format of the financial statements and the accounting policies adopted by our Group.

10.2.1 Introduction

We are a Malaysian conglomerate with interests in 3 businesses: oil and gas, power generation and environment. We conduct our operations and provide our services primarily in Malaysia, and our international operations are centered in Asian markets such as China, Thailand and South East Asia.

In our oil and gas business, we provide multidisciplinary engineering services to onshore and offshore oil and gas, refinery and petrochemical industries. Our scope of services includes feasibility and concept studies (which we refer to as "**SELECT**"), front-end engineering design (which we refer to as "**FEED**"), and detailed engineering, procurement services, construction management (which we refer to as "**EPCM**").

In our power business, we own and operate two 190 MW CCGT power plants in Sabah via our subsidiaries, RPI and RPII, on a BOO and BOT basis, respectively. We have entered into PPAs with Sabah Electricity, a subsidiary of TNB, providing for the sale of up to 380 MW of electricity generating capacity and electricity production for a 21-year period, commencing on 25 October 2008, with respect to RPI, and commencing on 22 April 2011, with respect to RPII.

In our environment business, we have been granted an exclusive licence (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, the second most populous state in Malaysia, with a population of approximately 3.4 million people as at 2012 *(Source: Department of Statistics, Malaysia)*. Outside of Malaysia, we have 10 water and wastewater concessions in relation to water treatment plants and wastewater treatment plants, with an aggregate treatment capacity of 310 MLD. In addition, through our jointly-controlled entity Yichun Pinang, we also operate a potable water treatment plant in Yichun City, China with a treatment capacity of 50 MLD.

The following table sets forth the contribution of each of our business segments to our pro forma revenue for the periods indicated:

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
		(RM in millions)	
Oil and gas	385.4	834.2	758.4
Power	226.8	462.2	355.7
Environment	758.0	1,202.0	925.2
Other businesses	5.6	8.1	5.1
Inter-segment sales	(1.0)	(1.1)	(0.8)
Total	1,374.8	2,505.4	2,043.6

Our pro forma revenue was RM2,043.6 million for the year ended 31 December 2012, RM2,505.4 million for the 18 months ended 31 December 2011 and RM1,374.8 million for the year ended 30 June 2010, and our pro forma PAT was RM285.8 million for the year ended 31 December 2012, RM313.1 million for the 18 months ended 31 December 2011 and RM1,535.6 million for the year ended 30 June 2010.

10.2.2 Basis of presentation of pro forma consolidated financial information

The pro forma consolidated financial information of our Group consists of the following:

- pro forma consolidated statements of comprehensive income of our Group for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012;
- pro forma consolidated statement of financial position of our Group as at 31 December 2012; and
- pro forma consolidated statement of cash flows of our Group for the year ended 31 December 2012.

The pro forma consolidated financial information of our Group has not been audited and has been prepared on the basis stated in Note 4 to the pro forma consolidated financial statements set out in Section 10.6 of this Prospectus solely for illustrative purposes. In preparing the pro forma consolidated statements of comprehensive income for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, as well as the pro forma consolidated statement of cash flows for the year ended 31 December 2012, our Group is assumed to have been in existence throughout the periods under review. The pro forma consolidated statement of financial position as at 31 December 2012 has been prepared on the assumption that the following transactions were completed on 31 December 2012:

- the Internal Reorganisation;
- the Pre-IPO Reorganisation;
- the Proposed RWT (Cayman) Acquisitions; and
- our IPO, our Listing and the receipt and utilisation by our Group of the estimated proceeds from our IPO.

Our pro forma consolidated financial information has been prepared using the financial statements prepared in accordance with the MFRS and in a manner consistent with both our format of the financial statements and the accounting policies adopted by our Group. Our pro forma consolidated financial information does not purport to represent what our actual consolidated results of operations or financial position would have been if our current corporate structure had been in place throughout the periods under review. Our pro forma consolidated financial information is also not indicative of our future consolidated financial position or results of operations following the Pre-IPO Reorganisation and our IPO.

10.2.3 Significant factors affecting our pro forma financial condition and results of operations

Our pro forma financial condition and results of operations have been, or are expected to be, affected by a number of factors, including those set out below:

(i) Oil and gas business

(a) Demand for oil and gas engineering services

The pro forma revenue of our oil and gas business consists primarily of fees paid by clients for the provision of engineering, project management and procurement services. The level of exploration, development and production activity in the oil and gas industry largely determines the level of demand for our oil and gas engineering services at any given time, and the level of exploration, development and production activity depends heavily on trends in oil and natural gas prices. If prices for oil and natural gas were to decrease significantly, it could have an adverse effect on demand for our services, which could in turn have an adverse effect on the results of operations of our oil and gas business.

(b) Competition

Our clients typically engage us to provide oil and gas engineering and related services for a project only after we successfully complete a competitive bidding process. Once we, either directly or via one of our affiliates, have been invited to bid on a project, our management reviews the risks and rewards involved in conducting the project and decides whether to submit a bid. In making bids, we take into account a variety of factors, including the project's specifications, our technical abilities and our estimates of the costs of employees, sub-contractors, supplies and other inputs involved in completing the project, as well as the profit that we expect to earn from executing the project. Some of our competitors may, however, have more experience, greater financial resources to invest in their capability to deliver innovative products or services, greater economies of scale, access to more advanced technology or access to lower-cost labour, or may be willing to execute projects at lower profit margins than we are. If competitors are able to provide more technically advanced products and services than we do at a competitive cost, or if lower-cost competitors were to acquire sufficient technology and experience to compete with us, the demand for our products and services may be reduced, which would adversely affect our revenue.

(c) **Contribution of procurement activities to results of operations of our oil and gas business**

In January 2011, our oil and gas business entered into a major contract with PETRONAS Gas, pursuant to which we are to provide engineering and procurement services in relation to the construction of the Melaka LNG Regas Unit. This contract contributed RM136.3 million and RM268.0 million to our pro forma revenue for the 18 months ended 31 December 2011 and year ended 31 December 2012, respectively, representing 16.3% and 35.3% of the pro forma revenue of our oil and gas business for these periods, respectively. A significant portion of our pro forma revenue from this contract consists of revenue in respect of procurement expenses, which represent expenses for materials and services that we procure for PETRONAS Gas and pass through to them at low margins. As a result, the gross margin of our oil and gas business was substantially lower in the 18 months ended 31 December 2011 than in the year ended 30 June 2010, and lower in the year ended 31 December 2012 than in the 18 months ended 31 December 2011. In future periods, the gross margin of our oil and gas business may be significantly affected by the proportion of our pro forma revenue that relates to procurement activities.

(d) **Foreign exchange fluctuations**

For the year ended 31 December 2012 and 18 months ended 31 December 2011, approximately 10.1% and 17.8%, respectively of our pro forma revenue of our oil and gas business was derived from contracts denominated in currencies other than RM, principally the USD. Since substantially all of the costs of our oil and gas business are denominated in RM, fluctuations in the exchange rate between RM and the USD or other foreign currencies that we are exposed to may not have a significant impact on the results of operations of our oil and gas business. We seek to hedge the foreign currency exchange rate risk inherent in contracts denominated in currencies other than RM using forward contracts on a contract-by-contract basis.

(ii) **Power business**

(a) **Application of IC 4 to our PPAs**

We have applied IC 4 to our PPAs. IC 4 prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. Pursuant to IC 4, we determined that each of our PPAs contains leases and accordingly, we have applied MFRS 117 to the lease elements of our PPAs. Under MFRS 117, RPII PPA has been determined to be a finance lease as it transfers substantially all the risks and rewards incidental to ownership of the RPII power plant to Sabah Electricity, as the lessee. On the other hand, RPI PPA does not meet the criteria of a finance lease as it does not transfer substantially all the risks and rewards incidental to ownership of the RPI power plant to Sabah Electricity, being the lessee.

Accordingly, capacity payments in respect of the RPI power plant are accounted for as revenue, whereas capacity payments in respect of the RPII power plant are apportioned between revenue, finance lease income and finance lease receivables. The level of capacity payments in respect of the RPII power plant increased significantly in April 2011 when the power plant commenced combined-cycle operations, and our cost of sales increased proportionately at that time. However, because a portion of those capacity payments is recorded as finance income rather than revenue, our reported revenue did not increase proportionately, which resulted in a decrease in the reported gross margin of our power business.

(iii) Environment business

(a) Effects of water tariff rate increases

The pro forma revenue of our environment business is derived from amounts we bill to our customers for water supply services, which in turn depend on water tariff rates and the volume of water delivered. Water tariff rates are subject to regulation by SPAN. If we are not permitted to raise water tariff rates in line with increases in our costs, the results of operations of our environment business may be adversely affected. Our current water tariff rates have been in effect since November 2010, and, accordingly, changes in water tariff rates have not had a significant impact on results of operations during the period between that date and 31 December 2012. We have submitted to SPAN a business plan covering the period from July 2012 through December 2014 that calls for an increase in our water tariff rates. If this or future rate increase requests are not approved by SPAN and SPAN does not assist SAJH in lowering its costs, the results of operations of our environment business in future periods would be adversely affected.

(b) Variability of lease payments due to PAAB

Our payments due to PAAB for the lease of water infrastructure assets in Johor is the largest component of the pro forma cost of sales for our environment business. The level of lease payments due to PAAB under our contracts relating to the lease of those assets is determined pursuant to a formula that is based on the total investment outlay by PAAB in the water assets and an annual charge rate of 6%, escalating at 2.5% per annum for 30 years. The level of lease payments due to PAAB is set on a triennial basis as part of SPAN's review and approval of our business plan. We currently expect that if SPAN does not approve our request for a water tariff rate increase in full, SPAN will require PAAB to agree to a reduction in the level of lease payments that will enable us to maintain fairly constant margins in our environment business. If we receive neither full approval of our requested water tariff rate increases nor an offsetting reduction either in the amount of the lease payments due to PAAB or in the amount of other expenses, the profitability of our environment business would be adversely affected.

(c) Effects of economic conditions in the State of Johor

The pro forma revenue of our environment business depends significantly on the volume of water we deliver to our customers. We have 3 main categories of customers in our water supply business in Johor, namely domestic, trade and industrial and institutional customers, and different water tariff rates are chargeable to different groups of customers. Water tariffs generally are higher for trade and industrial customers, and since our cost of sales for these customers is not correspondingly higher, we generally recognise higher gross margin on our sales to trade and industrial customers. If economic conditions in Malaysia, particularly in the State of Johor, were to deteriorate, it could have an adverse effect on the volume of water used by our customers, in particular our trade and industrial customers, which could, in turn, have an adverse effect on the results of operations of our environment business.

(d) Growth in revenue from foreign water concession assets

Revenue from our water concession assets outside Malaysia, principally in Thailand and China, has grown since 1 July 2009, albeit from a small base. In the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, pro forma revenue from our water concession assets outside Malaysia amounted to RM4.3 million, RM11.9 million and RM16.5 million, respectively, accounting for 0.3%, 1.0% and 1.8% respectively, of our pro forma consolidated revenue. We expect the revenue contribution of our water concession assets outside Malaysia to increase going forward, and as a result, the reported results of our environment business will be increasingly affected by exchange rate fluctuations between the RM and other currencies, such as the THB and the RMB.

(iv) Other factors

In the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, RB bore certain corporate expenses and certain expenses with respect to our Sukuk that we expect to bear following our Listing as discussed below. As these expenses were not borne by the Identified Entities prior to our Listing, they do not appear in our pro forma consolidated financial information for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012.

Pursuant to the Internal Reorganisation and the Pre-IPO Reorganisation, our Group has been formed, and, as the holding company of our Group, our Company is expected to bear corporate expenses consisting principally employee benefit expenses, rental costs, repair and maintenance expenses, travel expenses, printing, stationery, telephone and fax expenses as well as legal, consultancy and secretarial fees. We expect these expenses to amount to approximately RM18.0 million in the year ending 31 December 2013.

In addition, in the 18 months ended 31 December 2011 and the year ended 31 December 2012, RPSB had charged expenses incurred in respect of its Sukuk following its issuance by RPSB in June 2011 to RB. RB bore the interest and guarantee fee expenses relating to its Sukuk because RPSB had on-lent substantially all of the proceeds of its Sukuk to RB. However, as a result of the Internal Reorganisation, wherein the amount owing by RB to RPSB was set-off against part of the purchase consideration payable by RPSB in connection with the Acquisition by RPSB, we will bear future interest and guarantee fee expenses relating to the Sukuk following our Listing. Based on the terms of the Sukuk, we expect the interest expense and guarantee fees relating to the Sukuk to amount up to RM54.0 million in the year ending 31 December 2013, depending on the timing and the final amount of our planned partial redemption of the Sukuk using proceeds of our IPO, as set forth in Section 4.10 of this Prospectus. For further information concerning the Sukuk, refer to Note 5.4.30 to the Accountants' Report set forth in Section 11 of this Prospectus.

10.2.4 Critical accounting policies

For critical accounting policies that result in the application of estimates, assumptions or judgments in preparing our financial statements, refer to Section 10.4.4 of this Prospectus.

10.2.5 Pro forma results of operations

(i) Overview

The following discussion of our pro forma results of operations with respect to the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 is based on, and should be read in conjunction with, our pro forma consolidated financial information and related notes included in this Prospectus.

Our primary businesses are as follows:

- Oil and gas — provision of project management and multidisciplinary engineering services to the onshore and offshore oil and gas, refinery and petrochemical industries;
- Power — sale of generating capacity and electrical energy in accordance with our PPAs; and
- Environment — provision of source-to-tap water supply services for the State of Johor, ownership of water and wastewater treatment concessions, provision of EPCM services for water-related projects and consultancy for water-related operation and maintenance work (primarily NRW reduction activities).

These businesses collectively accounted for 99.7%, 99.7% and 99.8% of our pro forma revenue in the years ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, respectively. In addition to our primary businesses, our pro forma results also include the results of RBV, which provides real estate services to our primary businesses, our associate, RBSB and other related and external parties. As RBV is a subsidiary, the services that it provides to our primary businesses have no impact on our pro forma revenue. Amounts attributable to RBV are included as other businesses under revenue.

Components of our pro forma results of operations are as follows:

(a) Revenue

Our pro forma revenue is primarily derived from 3 sources:

- In our oil and gas business, fees paid by our clients for the provision of engineering services and related services, as well as procurement expenses reimbursed by our clients;
- In our power business, capacity payments (for maintenance of dependable capacity and availability of our power plants) and energy payments (for electricity generation) made by Sabah Electricity, our sole power customer, pursuant to our PPAs; and
- In our environment business, amounts billed to customers for the supply of water in the State of Johor and customers of our other concessions, revenue recognised with respect to construction services in BOT concession arrangements and fees paid by our clients for other EPCM services and for consultancy with respect to water-related operation and maintenance work (primarily NRW reduction activities).

For the years ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, respectively, our pro forma revenue were RM1,374.8 million, RM2,505.4 million and RM2,043.6 million, respectively.

The following table sets forth the contribution of each of our business segments to our pro forma revenue and as a percentage of our pro forma revenue for the periods indicated:

	Year ended 30 June 2010		18 months ended 31 December 2011		Year ended 31 December 2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	385.4	28.0	834.2	33.3	758.4	37.1
Power	226.8	16.6	462.2	18.4	355.7	17.4
Environment	758.0	55.1	1,202.0	48.0	925.2	45.3
Other businesses [(1)]	4.6	0.3	7.0	0.3	4.3	0.2
Total	1,374.8	100.0	2,505.4	100.0	2,043.6	100.0

Note:

(1) Includes real estate services rendered by RBV to our associate, RBSB and other related and external parties (after netting off inter-segment sales within our Group).

The following table sets forth our pro forma revenue by geographic area of our customers by business segment and the relevant percentage of our pro forma revenue for the periods indicated:

	Year ended 30 June		18 months ended 31 December		Year ended 31 December	
	2010		2011		2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	**385.4**	**28.0**	**834.2**	**33.3**	**758.4**	**37.1**
Malaysia	250.1	18.2	645.1	25.7	643.8	31.5
Others(1)	135.3	9.8	189.1	7.6	114.6	5.6
Power	**226.8**	**16.6**	**462.2**	**18.4**	**355.7**	**17.4**
Malaysia	226.8	16.6	462.2	18.4	355.7	17.4
Others	-	-	-	-	-	-
Environment	**758.0**	**55.1**	**1,202.0**	**48.0**	**925.2**	**45.3**
Malaysia	681.1	49.5	1,109.9	44.3	811.0	39.7
Others(2)	76.9	5.6	92.1	3.7	114.2	5.6
Other businesses	**4.6**	**0.3**	**7.0**	**0.3**	**4.3**	**0.2**
Malaysia	4.6	0.3	7.0	0.3	4.3	0.2
Others	-	-	-	-	-	-

Notes:

(1) Includes primarily revenue from Singapore, Korea, Australia, the Philippines and Vietnam.

(2) Includes primarily revenue from China, Thailand and India.

(b) Cost of sales

Our pro forma cost of sales consists primarily of the following items:

- In our oil and gas business, employee benefits expenses, subcontractor costs and procurement expenses;
- In our power business, the cost of fuel consumption (principally natural gas), O&M expenses, depreciation and employee benefits expenses; and
- In our environment business, water and water-related costs (including principally purchase of raw and treated water), purchase of chemicals, utilities (mainly electricity costs), employee benefits expenses, as well as lease payments under our lease agreement with PAAB.

For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma cost of sales was RM936.0 million, RM1,740.9 million and RM1,440.1 million, respectively. The following table sets forth our pro forma cost of sales by each business segment and as a percentage of our pro forma cost of sales for the periods indicated:

	Year ended 30 June		18 months ended 31 December		Year ended 31 December	
	2010		2011		2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	237.2	25.3	560.8	32.2	559.4	38.8
Power	133.5	14.3	314.6	18.1	239.4	16.6
Environment	559.3	59.8	857.2	49.2	636.8	44.3
Other businesses	6.0	0.6	8.3	0.5	4.5	0.3
Total	936.0	100.0	1,740.9	100.0	1,440.1	100.0

(c) Gross profit and gross margin

The following table sets forth our pro forma gross profit by each business segment and as a percentage of our pro forma gross profit for the periods indicated:

	Year ended 30 June		18 months ended 31 December		Year ended 31 December	
	2010		2011		2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	148.2	33.8	273.4	35.7	199.0	32.9
Power	93.3	21.2	147.6	19.3	116.3	19.3
Environment	198.7	45.3	344.8	45.1	288.4	47.8
Other businesses [(1)]	(1.4)	(0.3)	(1.3)	(0.1)	(0.2)	(0.0)
Total	438.8	100.0	764.5	100.0	603.5	100.0

Note:

(1) *Includes real estate services rendered by RBV to our associate, RBSB and other related and external parties (after netting off inter-segment sales within our Group).*

The following table sets forth our pro forma gross margin by each business segment and for our Group for the periods indicated:

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
		(%)	
Oil and gas	38.5	32.8	26.2
Power	41.1	31.9	32.7
Environment	26.2	28.7	31.2
Our Group	31.9	30.5	29.5

(d) Interest income

A portion of the capacity payment that we receive from Sabah Electricity in respect of the capacity of the RPII power plant is accounted for as interest income on finance lease receivable. The level of capacity payments in respect of the RPII power plant increased significantly in April 2011 when the power plant commenced combined-cycle operations. For further information, refer to Section 10.2.3(ii)(a) of this Prospectus. To a lesser extent, pro forma interest income also includes interest on fixed deposits and repurchase agreements of our power and environment businesses. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma interest income was RM17.0 million, RM67.4 million and RM84.9 million, respectively.

(e) Other income

Our pro forma other income consists primarily of gain on disposal of fixed assets, rental income and unrealised foreign exchange gains. Our pro forma other income for the year ended 30 June 2010 also includes reversal of RM19.4 million in interest accrued on late payments to a trade creditor. In the year ended 30 June 2010, we recorded a non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets and corresponding liabilities to PAAB in connection with the Migration as a result of the retrospective application of IC Interpretation 12 ("**IC12**"). This amount represented the difference in the measurement of the concession assets and liabilities between those previously applied and those under IC12. The cumulative discounting effect since inception, amortisation of the concession assets and the interest accretion of the concession liabilities gave rise to the RM1,370.1 million credit when the migration of the concession to the new regime was completed. This unusual item had a substantial effect on our financial results for that period. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma other income was RM1,421.1 million, RM23.8 million and RM61.0 million, respectively.

(f) **Administrative expenses**

Our pro forma administrative expenses consist primarily of employee benefits expenses (which includes labour costs, director remuneration, employee retirement plan contributions and staff travel expenses), rent and lease payments for land, buildings, plants and equipment, depreciation and amortisation, maintenance and repair costs, professional fees, audit fees, insurance expenses and other overhead costs. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma administrative expenses were RM202.1 million, RM369.3 million and RM255.1 million, respectively.

(g) **Other operating expenses**

Our pro forma other operating expenses consist primarily of payments made to Akaun Amanah Industri Bekalan Elektrik (the Malaysian Electricity Supply Industries Trust Account). For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma other operating expenses were RM1.5 million, RM3.3 million and RM6.5 million, respectively.

(h) **Tendering and marketing expenses**

Our pro forma tendering and marketing expenses consist primarily of business development expenses, travel expenses and other expenses relating to tendering and marketing activities. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma tendering and marketing expenses were RM4.4 million, RM4.4 million and RM3.1 million, respectively.

(i) **Finance costs**

Our pro forma finance costs relate primarily to interest costs of the IMTN, Musharakah medium term notes and a conventional syndicated term loan incurred by our power business as well as purchase and leasing interest, refinancing interest and other term loan interest of our power and environment businesses. In the first 2 months of the year ended 30 June 2010, prior to the transfer of water-related assets and associated liabilities to PAAB, finance costs also included interest expense on those liabilities. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma finance costs were RM89.1 million, RM117.1 million and RM88.0 million, respectively.

(j) **Zakat**

Zakat is a payment made by our environment and power businesses on their respective zakat bases, which consist in each case of net current assets, adjusted for items that do not meet the conditions for zakat assets and liabilities. For the years ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma zakat payments were zero, RM3.3 million and RM2.0 million, respectively.

(k) Share of results of associates

Pro forma share of results of associates relates to our 50% less one share equity interest in RBSB and the 40% equity interest that we have in Haldia Water. For the years ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our pro forma share of results of associates was a profit of RM0.9 million, a loss of RM9.1 million and zero, respectively.

(l) Income tax expense

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. Deferred taxes are recognised 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.

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(ii) Year ended 31 December 2012 compared to 18 months ended 31 December 2011

The following table presents selected pro forma statements of comprehensive income data, the percentage such amounts represent of our total pro forma revenue and their percentage change for the periods indicated:

	18 months ended 31 December 2011		**Year ended 31 December 2012**		**Change[1]**
	(RM)	**(%)**	**(RM)**	**(%)**	**(%)**
	(in millions, except percentages)				
Revenue	2,505.4	100.0	2,043.6	100.0	22.4
Cost of sales	(1,740.9)	(69.5)	(1,440.1)	(70.5)	24.1
Gross profit	764.5	30.5	603.5	29.5	18.4
Other items of income					
Interest income	67.4	2.7	84.9	4.2	88.9
Other income	23.8	0.9	61.0	3.0	284.5
Other items of expense					
Administrative expenses	(369.3)	(14.7)	(255.1)	(12.5)	3.6
Other operating expenses	(3.3)	(0.1)	(6.5)	(0.3)	195.5
Tendering and marketing expenses	(4.4)	(0.2)	(3.1)	(0.2)	5.7
Finance costs	(117.1)	(4.7)	(88.0)	(4.3)	12.7
Zakat	(3.3)	(0.1)	(2.0)	(0.1)	(9.1)
Share of results of associates	(9.1)	(0.4)	0.0	0.0	(100.0)
PBT	**349.2**	**13.9**	**394.7**	**19.3**	69.5
Income tax expense	(36.1)	(1.4)	(108.9)	(5.3)	352.5
PAT	**313.1**	**12.5**	**285.8**	**14.0**	36.9

Note:

(1) *Because of the differences in the length of the 2 periods being compared, percentage change has been calculated as follows:*

$$\frac{(a) - (b)}{(b)}$$

(a) refers to the relevant amount for the year ended 31 December 2012; whilst (b) refers to the corresponding amount for the 18 months ended 31 December 2011 on an annualised basis (that is, multiplied by 2/3).

(a) Revenue

Our pro forma revenue was RM2,043.6 million in the year ended 31 December 2012, 22.4% higher (on an annualised basis) than the RM2,505.4 million recorded for the 18 months ended 31 December 2011. The increase was due to revenue growth in all 3 of our primary business segments.

Oil and gas

Our oil and gas business accounted for 37.1% of our pro forma revenue in the year ended 31 December 2012, compared to 33.3% in the 18 months ended 31 December 2011. Pro forma revenue for our oil and gas business was RM758.4 million in the year ended 31 December 2012, 36.4% higher (on an annualised basis) than the RM834.2 million recorded for the 18 months ended 31 December 2011. This increase was primarily due to increases in both man-hours billed and chargeability and an increase in the contribution of procurement and non-labour reimbursements to revenue, primarily due to increased volume of work on the Melaka LNG Regas Unit.

Power

Our power business accounted for 17.4% of our pro forma revenue in the year ended 31 December 2012, compared to 18.4% in the 18 months ended 31 December 2011. Pro forma revenue for our power business was RM355.7 million in the year ended 31 December 2012, 15.4% higher (on an annualised basis) than the RM462.2 million recorded for the 18 months ended 31 December 2011. This increase was primarily due to a RM27.5 million increase in pro forma revenue from RPI (primarily due to increased capacity payments and, to a lesser extent, due to increased energy payments) and a RM20.1 million increase in pro forma revenue from RPII (mainly due to the fact that the plant operated on a combined-cycle basis throughout the year ended 31 December 2012, compared to only 8 months in the 18 months ended 31 December 2011).

Environment

Our environment business accounted for 45.3% of our total revenue in the year ended 31 December 2012, compared to 48.0% in the 18 months ended 31 December 2011. Pro forma revenue for our environment business was RM925.2 million in the year ended 31 December 2012, 15.5% higher (on an annualised basis) than the RM1,202.0 million recorded for the 18 months ended 31 December 2011. This increase was a result of a slight increase in the volume of water delivered in Johor and an increase in pro forma revenue from water concessions in China as our China business expanded.

(b) Cost of sales

Our pro forma cost of sales for the year ended 31 December 2012 was RM1,440.1 million, 24.1% higher (on an annualised basis) than the RM1,740.9 million recorded for the 18 months ended 31 December 2011, principally due to increased cost of sales in our oil and gas business.

Oil and gas
Pro forma cost of sales for our oil and gas business was RM559.4 million in the year ended 31 December 2012, accounting for 38.8% of our pro forma cost of sales. Pro forma cost of sales for our oil and gas business increased 49.6% in the year ended 31 December 2012 (on an annualised basis) from RM560.8 million in the 18 months ended 31 December 2011, at a rate higher than the rate of increase in revenue, primarily as a result of increased man-hour costs and increased procurement expenses and subcontractor expenses.

Power
Pro forma cost of sales for our power business was RM239.4 million in the year ended 31 December 2012, accounting for 16.6% of our pro forma cost of sales. Pro forma cost of sales for our power business increased 14.1% in the year ended 31 December 2012 (on an annualised basis) from RM314.6 million in the 18 months ended 31 December 2011. This increase resulted from higher diesel consumption to generate electricity, which in turn was due to a temporary interruption in gas supply in the year ended 31 December 2012 as a result of maintenance activity carried out by PETRONAS at its offshore gas platform and pipeline.

Environment
Pro forma cost of sales for our environment business was RM636.8 million in the year ended 31 December 2012, accounting for 44.3% of our pro foma cost of sales. Pro forma cost of sales for our environment business increased 11.4% in the year ended 31 December 2012 (on an annualised basis) from RM857.2 million in the 18 months ended 31 December 2011, in line with the increase in our pro forma revenue for our environment business as described in Section 10.2.5(ii)(a) above as well as due to the increase in the pro forma cost of sales of RWSB in the year ended 31 December 2012. RWSB applies percentage-of-completion accounting method to recognise revenue and costs for its NRW project in Kedah and any variation between the estimated cost to completion and actual cost incurred would be adjusted against the cost of sales towards the end of the project. As the Kedah project ended in the 18 months ended 31 December 2011, the pro forma cost of sales of the NRW project in Kedah was adjusted downwards in the 18 months ended 31 December 2011 as the budgeted cost of sales was higher than the actual costs incurred. There was no such adjustment to pro forma cost of sales of RWSB's projects for the year ended 31 December 2012.

(c) Gross profit and gross margin

Our pro forma gross profit for the year ended 31 December 2012 increased by 18.4% (on an annualised basis) to RM603.5 million, compared to RM764.5 million for the 18 months ended 31 December 2011, as a result of the factors discussed in items (a) and (b) above. Our pro forma gross margin decreased slightly to 29.5% in the year ended 31 December 2012, compared to 30.5% in the 18 months ended 31 December 2011.

Oil and gas
Pro forma gross profit for our oil and gas business increased by 9.2% (on an annualised basis) to RM199.0 million for the year ended 31 December 2012, compared to RM273.4 million for the 18 months ended 31 December 2011. Our pro forma gross margin for our oil and gas business declined from 32.8% for the 18 months ended 31 December 2011 to 26.2% for the year ended 31 December 2012, primarily due to an increase in the proportion of revenue derived from reimbursement of procurement expenses, which typically have lower margins.

Power
Pro forma gross profit for our power business increased by 18.2% (on an annualised basis) to RM116.3 million for the year ended 31 December 2012, compared to RM147.6 million for the 18 months ended 31 December 2011. Our pro forma gross margin for our power business increased from 31.9% for the 18 months ended 31 December 2011 to 32.7% for the year ended 31 December 2012, primarily due to a scheduled increase in the rate at which capacity payments were due with respect to the RPI power plant. The increase in capacity payments did not contribute to a proportionate increase in the cost of sales as the primary factor used in the calculation of the capacity payments is the dependable capacity of our power plants for that period, and not the total electricity output of the power plants.

Environment
Pro forma gross profit for our environment business increased by 25.4% (on an annualised basis) to RM288.4 million for the year ended 31 December 2012, compared to RM344.8 million for the 18 months ended 31 December 2011. Our pro forma gross margin for our environment business increased slightly from 28.7% for the 18 months ended 31 December 2011 to 31.2% for the year ended 31 December 2012. The increase in the pro forma gross profit margin was mainly due to growth in the proportion of proforma revenue derived from sales to trade and industrial customers, which generate higher margins than sales to domestic customers.

(d) Interest income

Our pro forma interest income increased significantly (on an annualised basis) to RM84.9 million in the year ended 31 December 2012 from RM67.4 million in the 18 months ended 31 December 2011. This increase was primarily attributable to an increase in interest income arising from fixed deposits as well as the commencement of combined-cycle operations at our RPII power plant in April 2011 which resulted in an increase in capacity payments received from Sabah Electricity, a portion of which is recorded as finance lease income. For further information, refer to Section 10.2.3(ii)(a) of this Prospectus.

(e) **Other income**

Our pro forma other income increased to RM61.0 million in the year ended 31 December 2012 from RM23.8 million in the 18 months ended 31 December 2011. This increase arose from discount received and receivable from PAAB in the amount of RM53.8 million for the year ended 31 December 2012, as compared to zero in the 18 months ended 31 December 2011. Discount received and receivable from PAAB relates to cumulative amounts that we collected from housing developers on behalf of PAAB for connecting their housing developments to the water supply system during the first operating period of SAJH under the licensing regime, being the period from 1 July 2009 to 30 June 2012, which have yet to be remitted to PAAB. With effect from the year ended 31 December 2012, PAAB waived its right to remittance of such amounts in its effort to provide some form of relief for the escalating lease rental charges payable to PAAB during the second operating period under the licensing regime, being the period from 1 July 2012 to 31 December 2014. Refer to Section 7.5.2(i)(b) and Note 5.4.7 to the Accountants' Report set out in Section 11 of this Prospectus for details on the licensing regime of SAJH and further information concerning other income, respectively.

(f) **Administrative expenses**

Our pro forma administrative expenses increased by 3.6% (on an annualised basis) to RM255.1 million in the year ended 31 December 2012 compared to RM369.3 million in the 18 months ended 31 December 2011, mainly as a result of an increase in employee benefits expenses in our environment business due to expansion of our environment business in China.

(g) **Other operating expenses**

Our pro forma other operating expenses increased by 195.5% (on an annualised basis) to RM6.5 million in the year ended 31 December 2012 as compared to RM3.3 million in the 18 months ended 31 December 2011.

(h) **Tendering and marketing expenses**

Our pro forma tendering and marketing expenses increased by 5.7% (on an annualised basis) to RM3.1 million in the year ended 31 December 2012 from RM4.4 million in the 18 months ended 31 December 2011, mainly due to an increase of RM0.2 million in travelling expenses.

(i) Finance costs

Our net pro forma finance costs in the 18 months ended 31 December 2011 have taken into consideration the capitalisation of interest on indebtedness relating to construction in progress, specifically construction of the RPII power plant through the commencement of combined-cycle operations, in the amount of RM37.1 million, which had decreased our finance costs in the said financial period. Because capitalisation of interest on construction in progress ceased when the RPII power plant commenced combined-cycle operations in April 2011, our pro forma finance costs increased 12.7% (on an annualised basis) to RM88.0 million in the year ended 31 December 2012 as compared to RM117.1 million in the 18 months ended 31 December 2011. However, without regard to the capitalisation of construction in progress in the 18 months ended 31 December 2011, our pro forma finance costs decreased by 14.4% (on an annualised basis) in the year ended 31 December 2012, primarily as a result of refinancing charges incurred in the 18 months ended 31 December 2011 in connection with the conversion of our syndicated term loan into Musharakah medium term-notes, which refinancing charges did not recur in the year ended 31 December 2012. For further information concerning finance costs, refer to Note 5.4.8 to the Accountants' Report set forth in Section 11 of this Prospectus.

(j) Zakat

Our pro forma zakat expenses were RM2.0 million in the year ended 31 December 2012 compared to RM3.3 million in the 18 months ended 31 December 2011.

(k) Share of results of associates

Our pro forma share of results of associates was zero in the year ended 31 December 2012, because our accumulated share of losses in associates had exceeded the cost of investments in those associates. Pro forma share of results of associates was a loss of RM9.1 million in the 18 months ended 31 December 2011. This was largely due to our share of RBSB's RM5.7 million loss, primarily as a result of a provision on non-recoverability of a receivable from Libya, and our share of a RM3.4 million loss in Haldia Water.

(l) PBT

As a result of the factors discussed above, our pro forma PBT for the year ended 31 December 2012 increased by 69.5% (on an annualised basis) to RM394.7 million, compared to RM349.2 million for the 18 months ended 31 December 2011. Our pro forma PBT margin increased to 19.3% for the year ended 31 December 2012, compared to 13.9% for the 18 months ended 31 December 2011, primarily as a result of increased revenue, gross profit and finance income, offset by relatively moderate growth in administrative expenses.

(m) Income tax expense

We had pro forma income tax expense of RM108.9 million in the year ended 31 December 2012, as compared to RM36.1 million for the 18 months ended 31 December 2011, primarily due to higher deferred tax asset recognised in the 18 months ended 31 December 2011 compared with the year ended 31 December 2012. When the RPII power plant commenced combined-cycle operations in April 2011, we recognised deferred tax assets relating to carried forward unused capital allowances and investment allowances to the extent that we determined it was probable that there would be future profits against which such allowances can be offset. As a result of the recognition of these deferred tax assets, our pro forma effective tax rate was 10.3% for the 18 months ended 31 December 2011, compared to 27.6% for the year ended 31 December 2012.

For the year ended 31 December 2012, the difference between our pro forma effective tax rate of 27.6% and the Malaysian statutory tax rate of 25% was primarily due to expenses not deductible for tax purposes of RM13.9 million, under provision of deferred tax in prior year of RM5.1 million and deferred tax assets not recognised of RM1.1 million, the effects of which were partially offset by non-taxable income of RM 5.8 million and overprovision of income tax in prior years of RM 3.8 million. For the 18 months ended 31 December 2011, the difference between our pro forma effective tax rate of 10.3% and the Malaysian statutory tax rate of 25% was primarily due to utilisation of that year's investment allowance of RM96.3 million, which was partially offset by deferred tax not recognised of RM39.2 million and expenses not deductible for tax purposes of RM25.1 million.

(n) PAT

As a result of the factors discussed above, our pro forma PAT increased by 36.9% (on an annualised basis) to RM285.8 million for the year ended 31 December 2012 from RM313.1 million for the 18 months ended 31 December 2011. Our pro forma PAT margin increased slightly to 14.0% for the year ended 31 December 2012 from 12.5% for the 18 months ended 31 December 2011.

(iii) 18 months ended 31 December 2011 compared to year ended 30 June 2010

We present an 18 month period for 2011 because in that year, we changed our financial year end from 30 June to 31 December, and we provide a comparison of the 18 month period ended 31 December 2011 to the 12 month period ended 30 June 2010. Because of the differences in the length of the 2 periods being compared, the percentage change in each line item discussed has been calculated on an annualised basis. The trends shown by comparison of annualised historical 18-month numbers to historical annual numbers are not necessarily identical to those that would be shown by comparison of 2 sets of historical annual numbers and should only be relied upon to provide an approximate gauge of the underlying trends.

The following table presents selected pro forma statements of comprehensive income data, the percentage such amounts represent of our pro forma revenue and their percentage change for the periods indicated.

	Year ended 30 June 2010		18 months ended 31 December 2011		Change(1)
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	1,374.8	100.0	2,505.4	100.0	21.5
Cost of sales	(936.0)	(68.1)	(1,740.9)	(69.5)	24.0
Gross profit	438.8	31.9	764.5	30.5	16.2
Other items of income					
Interest income	17.0	1.2	67.4	2.7	164.3
Other income	1,421.1	103.4	23.8	0.9	(98.9)
Other items of expense					
Administrative expenses	(202.1)	(14.7)	(369.3)	(14.7)	21.8
Other operating expenses	(1.5)	(0.1)	(3.3)	(0.1)	46.7
Tendering and marketing expenses	(4.4)	(0.3)	(4.4)	(0.2)	(33.3)
Finance costs	(89.1)	(6.5)	(117.1)	(4.7)	(12.4)
Zakat	0.0	0.0	(3.3)	(0.1)	0.0
Share of results of associates	0.9	0.1	(9.1)	(0.4)	(774.1)
PBT	**1,580.7**	**115.0**	**349.2**	**13.9**	(85.3)
Income tax expense	(45.2)	(3.3)	(36.1)	(1.4)	(46.8)
PAT	**1,535.5**	**111.7**	**313.1**	**12.5**	(86.4)

Note:

(1) *Because of the differences in the length of the 2 periods being compared, percentage change has been calculated as follows:*

$$\frac{(a) - (b)}{(b)}$$

(a) refers to the relevant amount for the 18 months ended 31 December 2011 on an annualised basis (that is, multiplied by 2/3); whilst (b) refers to the corresponding amount for the year ended 30 June 2010.

(a) Revenue

Our pro forma revenue was RM2,505.4 million in the 18 months ended 31 December 2011, 21.5% higher (on an annualised basis) than the RM1,374.8 million recorded for the year ended 30 June 2010, primarily due to revenue growth in our oil and gas and power businesses.

Oil and gas
Our oil and gas business accounted for 33.3% of our pro forma revenue in the 18 months ended 31 December 2011, compared to 28.0% in the year ended 30 June 2010. Pro forma revenue for our oil and gas business was RM834.2 million in the 18 months ended 31 December 2011, 44.3% higher (on an annualised basis) than the RM385.4 million recorded for the year ended 30 June 2010, primarily as a result of an increase in man-hours billed and a significant amount of revenue from reimbursement of procurement expenses, both of which were primarily due to the commencement of work on the Melaka LNG Regas Unit in January 2011. To a lesser extent, higher rates per man-hour billed also contributed to the increase in pro forma revenue.

Power
Our power business accounted for 18.4% of our pro forma revenue in the 18 months ended 31 December 2011, compared to 16.6% in the year ended 30 June 2010. Pro forma revenue for our power business was RM462.2 million in the 18 months ended 31 December 2011, 35.9% higher (on an annualised basis) than the RM226.8 million recorded for the year ended 30 June 2010. This increase was primarily the result of the achievement of combined-cycle COD by the RPII power plant in April 2011. As a result, energy payments relating to the RPII power plant contributed significantly to the pro forma revenue for the 18 months ended 31 December 2011 but substantially less for the year ended 30 June 2010, as only 3 months of revenue generated from a single gas turbine operating in open-cycle configuration was recognised in that period.

Environment
Our environment business accounted for 48.0% of our pro forma revenue in the 18 months ended 31 December 2011, compared to 55.1% in the year ended 30 June 2010. Pro forma revenue for our environment business was RM1,202.0 million in the 18 months ended 31 December 2011, 5.7% higher (on an annualised basis) than the RM758.0 million recorded for the year ended 30 June 2010. This increase resulted both from an increase in the volume of water delivered in the State of Johor and an increase in water tariff rates applicable to those sales that took effect in November 2010, while revenue from water concessions in China and Thailand remained essentially constant from the year ended 30 June 2010 to the 18 months ended 31 December 2011 (on an annualised basis).

(b) Cost of Sales

Our pro forma cost of sales for the 18 months ended 31 December 2011 was RM1,740.9 million, 24.0% higher (on an annualised basis) than the RM936.0 million recorded for the year ended 30 June 2010, primarily due to increases in cost of sales for all 3 of our business segments.

Oil and gas

Pro forma cost of sales for our oil and gas business was RM560.8 million in the 18 months ended 31 December 2011, accounting for 32.2% of our pro forma cost of sales. Pro forma cost of sales for our oil and gas business increased 57.6% in the 18 months ended 31 December 2011 (on an annualised basis) from RM237.2 million in the year ended 30 June 2010, primarily as a result of substantial increases in the number of employees and in procurement expenses, both of which are related to the Melaka LNG Regas Unit that commenced in January 2011. To a lesser extent, an increase in average hourly wages also contributed to the increase in cost of sales.

Power

Pro forma cost of sales for our power business was RM314.6 million in the 18 months ended 31 December 2011, accounting for 18.1% of our pro forma cost of sales. Pro forma cost of sales for our power business increased 57.1% in the 18 months ended 31 December 2011 (on an annualised basis) from RM133.5 million in the year ended 30 June 2010, primarily as a result of an increase in fuel and O&M costs resulting from the commencement of combined-cycle operations at the RPII power plant in April 2011.

Environment

Pro forma cost of sales for our environment business was RM857.2 million in the 18 months ended 31 December 2011, accounting for 49.2% of our pro forma cost of sales. Cost of sales for our environment business increased 2.2% in the 18 months ended 31 December 2011 (on an annualised basis) from RM559.3 million in the year ended 30 June 2010, primarily as a result of an increase in the volume of water purchased and an increase in the level of lease payments to PAAB that took effect in September 2010 following the Migration. To a lesser extent, a scheduled increase in the per-unit cost of treated water purchased from our bulk water suppliers also contributed to the increase in cost of sales.

(c) Gross profit and gross margin

Our pro forma gross profit for the 18 months ended 31 December 2011 was RM764.5 million, 16.2% higher (on an annualised basis) than our pro forma gross profit of RM438.8 million for the year ended 30 June 2010. Our pro forma gross margin decreased to 30.5% in the 18 months ended 31 December 2011 from 31.9% in the year ended 30 June 2010.

Oil and gas

Pro forma gross profit for our oil and gas business was RM273.4 million in the 18 months ended 31 December 2011, 23.0% higher (on an annualised basis) than RM148.2 million recorded for the year ended 30 June 2010. Our pro forma gross margin for our oil and gas business decreased from 38.5% for the year ended 30 June 2010 to 32.8% for the 18 months ended 31 December 2011, primarily due to the fact that a significant proportion of revenue from the Melaka LNG Regas Unit consisted of revenue in respect of procurement expenses, which typically are passed through with lower margins.

Power

Pro forma gross profit for our power business was RM147.6 million in the 18 months ended 31 December 2011, 5.5% higher (on an annualised basis) than RM93.3 million recorded for the year ended 30 June 2010. Our pro forma gross margin for our power business decreased from 41.1% for the year ended 30 June 2010 to 31.9% for the 18 months ended 31 December 2011, primarily due to the commencement of combined-cycle operations at the RPII power plant and the different accounting treatment between RPI and RPII. The entire capacity payments in respect of the RPI power plant is accounted for as revenue, consistent with operating lease accounting for that power plant. In contrast, a significant portion of the capacity payments in respect of the RPII power plant is accounted for as finance lease income rather than as revenue, consistent with finance lease accounting for that power plant. Refer to Section 10.2.3(ii)(a) of this Prospectus.

As a result, our operations in respect of the RPII power plant resulted in a lower gross margin than those of the RPI power plant, as the percentage increase in cost of sales of the RPII power plant was not compensated by an equal percentage increase in revenue, due to the recognition of a portion of the capacity payments as finance lease income. Accordingly, because RPII's revenue accounted for a greater percentage of our power business revenue in the 18 months ended 31 December 2011, this resulted in a decrease in our power business gross margin compared with the year ended 30 June 2010.

Environment

Pro forma gross profit for our environment business was RM344.8 million in the 18 months ended 31 December 2011, 15.7% higher (on an annualised basis) than RM198.7 million recorded for the year ended 30 June 2010. Our pro forma gross margin for our environment business increased from 26.2% for the year ended 30 June 2010 to 28.7% for the 18 months ended 31 December 2011, primarily because the increase in water tariff rates that took effect in November 2010 had offset the increase in lease rental payments that took effect in September 2010 following the Migration.

(d) Interest income

Our pro forma interest income was RM67.4 million in the 18 months ended 31 December 2011, compared to RM17.0 million in the year ended 30 June 2010, mainly due to higher finance lease income in respect of the RPII power plant following the commencement of combined-cycle operations at the RPII power plant in April 2011. Due to this factor, RM39.2 million of the capacity payments in respect of the RPII power plant were accounted for as finance lease income in the 18 months ended 31 December 2011, compared to zero in the year ended 30 June 2010. To a lesser extent, the increase in interest income resulted from an increase in interest on fixed deposits contributed by the power business.

(e) **Other income**

Our pro forma other income was RM23.8 million in the 18 months ended 31 December 2011, compared to RM1,421.1 million in the year ended 30 June 2010. Pro forma other income in the year ended 30 June 2010 reflected primarily a non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB in connection with the Migration. Without regard to this unusual item, our pro forma other income decreased from RM51.0 million in the year ended 30 June 2010 to RM23.8 million in the 18 months ended 31 December 2011 because in the year ended 30 June 2010, we reversed a RM19.4 million in interest accrued on late payments to a trade creditor. To a lesser extent, the decrease in pro forma other income resulted from the reversal of interest accrued on a loan which was transferred to PAAB due to the Migration in the environment business, which amounted to RM11.0 million in the year ended 30 June 2010, as compared to zero in the 18 months ended 31 December 2011.

(f) **Administrative expenses**

Our pro forma administrative expenses were RM369.3 million in the 18 months ended 31 December 2011, 21.8% higher (on an annualised basis) than the RM202.1 million incurred in the year ended 30 June 2010. The increase in administrative expenses is primarily due to increases in software leasing expenses, office rental expenses and employee benefits expenses incurred by our oil and gas business.

(g) **Other operating expenses**

Our pro forma other operating expenses were RM3.3 million in the 18 months ended 31 December 2011, 46.7% higher (on an annualised basis) than the RM1.5 million recorded in the year ended 30 June 2010. The increase mainly reflected an increase in payments made to Akaun Amanah Industri Bekalan Elektrik (the Malaysian Electricity Supply Industries Trust Account).

(h) **Tendering and marketing expenses**

Our pro forma tendering and marketing expenses were RM4.4 million in both the 18 months ended 31 December 2011 and the year ended 30 June 2010, which represents a 33.3% decline on an annualised basis. The decrease mainly reflected lower business development and travelling expenses incurred in our environment business.

(i) Finance costs

Our pro forma finance costs were RM117.1 million in the 18 months ended 31 December 2011, 12.4% lower (on an annualised basis) than the RM89.1 million recorded for the year ended 30 June 2010. This decrease resulted from the transfer of liabilities associated with water-related assets to PAAB in September 2009 as part of the Migration, as a result of which interest expense on those liabilities contributed RM25.5 million to our pro forma finance costs in the year ended 30 June 2010, compared to zero in the 18 months ended 31 December 2011. The effect of this factor was partially offset, however, by the fact that we capitalised interest charges relating to the RPII power plant until it commenced combined-cycle operations in April 2011, at which time we started to account for those interest charges as expenses.

(j) Zakat

Our pro forma zakat expenses were RM3.3 million in the 18 months ended 31 December 2011 compared to zero in the year ended 30 June 2010.

(k) Share of results of associates

Our pro forma share of results of associates was a loss of RM9.1 million in the 18 months ended 31 December 2011 compared to a profit of RM0.9 million in the year ended 30 June 2010. This change mainly reflected our share of loss in our associates, Haldia Water and RBSB of RM5.7 million and RM3.4 million, respectively, in the 18 months ended 31 December 2011.

(l) PBT

As a result of the factors discussed above, our pro forma PBT for the 18 months ended 31 December 2011 was RM349.2 million, compared to RM1,580.7 million for the year ended 30 June 2010. PBT for the year ended 30 June 2010 was strongly influenced by the effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB in connection with the Migration, as discussed in Section 10.2.5(iii)(e) above. Our pro forma PBT margin decreased to 13.9% for the 18 months ended 31 December 2011, compared to a margin of 15.3% for the year ended 30 June 2010 (excluding the unusual non-taxable effect arising from the transfer of water-related assets to PAAB as discussed above).

(m) Income tax expense

Our pro forma income tax expenses were RM36.1 million for the 18 months ended 31 December 2011, 46.8% lower (on an annualised basis) than the RM45.2 million recorded for the year ended 30 June 2010, primarily due to a tax benefit of RM44.8 million recognised by RPII in the 18 months ended 31 December 2011. When the RPII power plant commenced combined-cycle operations in April 2011, we recognised deferred tax assets relating to carried forward unused capital allowances and investment allowances to the extent that we determined it was probable that there would be future profits against which such allowances can be offset. As a result of the recognition of these deferred tax assets, our pro forma effective tax rate was 10.3% for the 18 months ended 31 December 2011, compared to 2.9% for the year ended 30 June 2010. Our pro forma effective tax rate for the year ended 30 June 2010 was strongly influenced by the RM1,370.1 million effect arising from the transfer of water-related assets to PAAB in connection with the Migration, which was non-taxable.

For the 18 months ended 31 December 2011, the difference between our pro forma effective tax rate of 10.3% and the Malaysian statutory tax rate of 25% was primarily due to utilisation of that year's investment allowance of RM96.3 million, which was partially offset by deferred tax not recognised of RM39.2 million and expenses not deductible for tax purposes of RM25.1 million. For the year ended 30 June 2010, the difference between our pro forma effective tax rate of 2.9% and the Malaysian statutory tax rate of 25% was primarily due to the effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB, as discussed above, which was non-taxable, as well as deferred tax recognised of RM6.3 million and over-provisioning of income tax in prior years of RM5.4 million, which were offset in part by non-deductible expenses of RM14.5 million and under provision of deferred tax in prior year of RM2.8 million.

(n) PAT

As a result of the factors discussed above, our pro forma PAT was RM313.1 million for the 18 months ended 31 December 2011, compared to RM1,535.5 million for the year ended 30 June 2010. Without regard to the non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB, our pro forma PAT for the year ended 30 June 2010 was RM165.4 million. Our pro forma PAT margin increased slightly to 12.5% for the 18 months ended 31 December 2011 from 12.0% for the year ended 30 June 2010 (excluding the unusual non-taxable effect arising from the transfer of water-related assets to PAAB).

10.2.6 Liquidity and capital resources

The discussion regarding our liquidity and capital resources has been presented on the basis that (i) items relating to our financial position as at 31 December 2012 have been presented on a pro forma basis following the Internal Reorganisation, the Pre-IPO Reorganisation and the Proposed RWT (Cayman) Acquisitions, but prior to our IPO and Listing, and, therefore, do not reflect the application of proceeds from our IPO that is discussed in Section 4.10 of this Prospectus. Accordingly, items relating to our financial position as at 31 December 2012 presented in this Section 10.2.6 differ from those in our pro forma consolidated statement of financial position as at 31 December 2012 presented elsewhere in this Prospectus, which assume our IPO and Listing had been completed on 31 December 2012; and (ii) items relating to our cash flows for the year ended 31 December 2012 have been presented on a pro forma basis following the Internal Reorganisation, the Pre-IPO Reorganisation, the Proposed RWT (Cayman) Acquisitions, our IPO, our Listing and the receipt and utilisation by our Group of the estimated proceeds from our IPO, which is in line with our pro forma consolidated statement of cash flows for the year ended 31 December 2012 presented in Section 10.6 of this Prospectus.

(i) Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions. Following our Listing, we expect to use the same principal sources of liquidity. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 31 December 2012, we had cash and cash equivalents of RM220.9 million and total borrowings of RM1,982.0 million on a pro forma basis. Our working capital on a pro forma basis, calculated as pro forma current assets minus pro forma current liabilities, was RM250.6 million as at 31 December 2012. In addition, as at the LPD, we had entered into agreements for further credit facilities, namely unsecured bank guarantee facilities of up to RM10.0 million for working capital. Our pro forma cash and cash equivalents, pro forma total borrowings and pro forma working capital presented in this Section 10.2.6(i) are based on our pro forma consolidated statements of financial position as at 31 December 2012 which has been prepared on the assumption that the Internal Reorganisation, the Pre-IPO Reorganisation and the Proposed RWT (Cayman) Acquisitions had been completed on 31 December 2012, but before our IPO and Listing.

Taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board believes that we will have adequate working capital for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets forth a summary of our pro forma cash flows for the year ended 31 December 2012:

	Year ended 31 December 2012[(1)]
	(RM in millions)
Net cash generated from operating activities	394.0
Net cash used in investing activities	(185.2)
Net cash used in financing activities	(149.4)
Net increase in cash and cash equivalents	59.4
Effect of foreign exchange rates	(1.3)
Cash and cash equivalents at beginning of period	222.8
Cash and cash equivalents at end of period	280.9

Note:

(1) *Based on our pro forma consolidated statement of cash flows for the year ended 31 December 2012, including the assumption that the Pre-IPO Reorganisation, the Proposed RWT (Cayman) Acquisition, our IPO, our Listing and the receipt and utilisation by our Group of the estimated proceeds from our IPO had occurred on 1 January 2012.*

Most of our cash and cash equivalents are held in RM. Save as disclosed in Section 10.8 of this Prospectus, our Board is of the opinion that there are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company, in the form of cash dividends, loans or advances, subject to availability of distributable reserves and/or loans or advances to meet the cash obligations of our Company.

<u>Net cash generated from operating activities</u>

Pro forma net cash generated from operating activities for the year ended 31 December 2012 was RM394.0 million, comprising cash receipts from customers of RM2,025.2 million, cash paid to suppliers and employees of RM1,595.9 million, and taxes paid of RM35.3 million.

<u>Net cash used in investing activities</u>

Pro forma net cash used in investing activities for the year ended 31 December 2012 was RM185.2 million, consisting primarily of the payment of the purchase consideration for the Proposed RWT (Cayman) Acquisitions of RM104.0 million, purchases of property, plant and equipment of RM48.2 million and other investments of RM43.5 million, which were partially offset by placement of fixed deposits of RM10.2 million.

<u>Net cash used in financing activities</u>

Pro forma net cash used in financing activities for the year ended 31 December 2012 was RM149.4 million, consisting primarily of repayment of borrowings of RM449.2 million, dividend payment of RM146.5 million, estimated IPO expenses of RM34.0 million, and settlement of amount due to RB of RM93.8 million, which are partially offset by the proceeds from the IPO of RM610.5 million.

(iii) Borrowings

Our outstanding pro forma borrowings, all of which are interest-bearing, as at 31 December 2012 after the Internal Reorganisation and the Pre-IPO Reorganisation but prior to our IPO, is as follows:

	Interest rate term (per annum)	Pro forma as at 31 December 2012 (RM in millions)
Short term borrowings		
Secured		
- Term loans	Variable rate ranging from 4.85% to 8.00%	5.5
- IMTN	Fixed rate of 7.00%	55.0
- Bank overdrafts	Variable rate ranging from 6.50% to 8.10%	3.7
- Bank acceptances	Variable rate ranging from 3.26% to 4.13%	4.5
- Sukuk	Fixed rate of 7.62%	2.2
- Musharakah medium term notes	Fixed rate of 6.30%	8.0
- Obligation under finance lease	Fixed rate of 6.96%	0*
		78.9
Long term borrowings		
Secured		
- Term loans	Variable rate ranging from 4.85% to 8.00%	100.3
- IMTN	Fixed rate of 7.00%	324.2
- Musharakah medium term notes	Fixed rate of 6.30%	700.0
- Sukuk	Fixed rate of 7.62%	767.9
- Obligation under finance lease	Fixed rate of 6.96%	0.2
Unsecured		
- Convertible unsecured loan stocks	Fixed rate of 12.50%	10.5
		1,903.1
Total borrowings		1,982.0
Gearing ratio (times)[(1)]		5.8[(2)]

Notes:

* *Negligible*

(1) *The gearing ratio is calculated by dividing total borrowings by total shareholders' funds, prior to our IPO.*

(2) *The high gearing ratio is primarily due to the merger deficit which resulted in the lower shareholders' funds prior to our IPO. The merger deficit of RM1,495.5 million is the difference between the consideration paid/transferred and the equity acquired in respect of the transactions pursuant to the Internal Reorganisation and Acquisition of RWP as defined in Section 6.1.2 of this Prospectus.*

As at 31 December 2012, our pro forma outstanding borrowings are denominated primarily in RM. The table below sets forth, as at 31 December 2012, our pro forma outstanding borrowings by the currency in which they are denominated:

	Pro forma as at 31 December 2012	
	(in millions)	**(RM in millions)**
RM		1,875.7
THB	THB516.6	7.9[(1)]
RMB	RMB5.7	98.4[(2)]
USD	*	0[(3)]
Total		1,982.0

Notes:

* *Denotes USD0.023 million.*

(1) *Based on exchange rate of RM10.010/THB100 as at 31 December 2012.*

(2) *Based on exchange rate of RM0.491/RMB1 as at 31 December 2012.*

(3) *Denotes RM0.071 million, converted based on exchange rate of RM3.063/USD1 as at 31 December 2012.*

As at 31 December 2012, our loans and advances from related parties were denominated in RM and such loans and advances amount to RM39.4 million on a pro forma basis.

Our loans and advances from related parties are repayable on demand and are interest free. Proceeds from the loans and advances were used primarily in connection with non-trade transactions (such as payments made on behalf of related parties).

There has been no default on payments of either interest or principal for any of our borrowings throughout the year ended 31 December 2012. We are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

The maturity profile of our pro forma borrowings as at 31 December 2012 is as follows:

	Pro forma as at 31 December 2012
	(RM in millions)
Within 1 year	78.9
1 to 2 years	90.1
2 to 5 years	426.9
More than 5 years	1,386.1
Total	1,982.0

The table below sets forth the interest rate profile of our pro forma borrowings as at 31 December 2012:

	Pro forma as at 31 December 2012 (RM in millions)
Fixed rate	1,868.0
Floating rate	114.0
Total	1,982.0

(iv) **Capital expenditures**

We incurred capital expenditures of RM45.0 million, RM172.1 million and RM430.6 million on a pro forma basis for the year ended 31 December 2012, 18 months ended 31 December 2011 and year ended 30 June 2010 respectively.

Our major capital expenditures for the periods indicated were as follows:

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	**2011**	**2012**
		(RM in millions)	
Environment			
RUSB	0.9	0.5	-
SAJH	15.8	39.0	31.5
RWSB	0.3	1.9	1.6
RWT (Cayman)	0.2	0.9	0.3
	17.2	42.3	33.4
Oil and gas			
RWorley	2.6	15.8	2.1
Power			
RPI	0.5	6.6	9.3
RPII	410.3	107.4	0.2
	410.8	114.0	9.5
Total	**430.6**	**172.1**	**45.0**

The majority of our capital expenditures during the past 3 years have primarily been related to the construction of the RPII power plant.

Our planned capital expenditures for the year ending 31 December 2013 are RM44.2 million, which we intend to use principally for purchasing technical equipment for our environment business, i.e. purchasing of new meters, replacement of old meters, upgrading computer equipment and office equipment, replacing company vehicle that are more than 10 years old and economic repairs.

Our actual capital expenditures may vary from projected amounts due to various factors, including changes in market conditions, unplanned cost overruns, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our products and services, the need to make additional investments to meet required service levels, the Government's policies regarding the industries in which we operate and the state of the Malaysian and the global economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

We expect to meet our capital expenditure requirements through our cash and cash equivalents on hand, cash generated from operations and financing activities, including the proceeds from our IPO. Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and global economy and the markets for our products, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

(v) Material divestitures

Save as disclosed below, there have not been any material divestitures undertaken by us for the year ended 30 June 2010, 18 months ended 31 December 2011, year ended 31 December 2012 and up to the LPD:

(a) The transfer of SAJH's water assets and the corresponding liabilities at book value to PAAB pursuant to the Migration, amounting to RM937,124,968 and RM177,142,644 during the year ended 30 June 2010 and 18 months ended 31 December 2011, respectively;

(b) Disposal by RPSB of its 20% equity interest in the ordinary and redeemable convertible non-cumulative preference shares in RPII to SECSB for a total consideration of RM73,000,000 during the year ended 30 June 2010; and

(c) Disposal by RUSB of its 20% equity interest in SAJH to the State Government of Johor, with effect from 1 March 2010, pursuant to the Master Agreement. As at the LPD, the sale and purchase agreement in relation the said disposal has not been entered into by RUSB and the State Government of Johor. Thus, RUSB is still the registered owner of the entire issued and paid-up capital of SAJH although the beneficial ownership of 20% of the issued and paid-up share capital in SAJH is deemed transferred to the State Government of Johor.

As at the LPD, save for item (c), we do not have any uncompleted material divestitures.

(vi) Material commitments

We had material commitments for capital expenditures of RM0.3 million on a pro forma basis as at 31 December 2012. These commitments consisted of the following:

	Pro forma as at 31 December 2012
	(RM in millions)
Property, plant and equipment	
Commitments approved and contracted for	-
Commitments approved and not contracted for	0.3
Total	0.3

The majority of our pro forma material capital commitments as at 31 December 2012 were related to fixed assets such as plant and machinery, office equipment, furniture and fittings, computers, workshop tools and motor vehicles. Except as disclosed above, as at 31 December 2012, we are not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position. We expect to meet our material commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

(vii) Contingent liabilities and material litigation / arbitration proceedings

The following table sets forth our contingent liabilities as at the dates indicated.

	As at 30 June 2010	As at 31 December 2011	As at 31 December 2012
		(RM in millions)	
Performance guarantee given for execution of contracts	19.9	13.5	14.8
Bank guarantee facilities given to third parties	43.7	57.3	42.7
Total	63.6	70.8	57.5

As at the LPD, except as set forth above, our Board is not aware of any contingent liabilities that, upon becoming enforceable, or any pending material litigation or arbitration proceeding that may have a material adverse impact on our results of operations or financial condition.

(viii) Key financial ratios

Our key financial ratios are based on our pro forma consolidated financial information for the periods indicated and are as follows:

	Pro forma as at 31 December 2012
Trade receivables (RM'million) [1]	308.9
Trade receivables turnover period (days) [2]	48.0
Trade payables (RM'million) [3]	140.6
Trade payables turnover period (days) [4]	35.6
Inventory (RM million) [5]	59.2
Inventory turnover period (days) [6]	14.1
Current ratio (times) [7]	1.3
Gearing ratio (times) [8]	5.8[9]

Notes:

(1) *Trade receivables reflect outstanding amount receivable from customers for sale of goods and services, after impairment of trade receivables.*

(2) *Average of trade receivables as at the beginning and end of the period multiplied by 365 days over total revenue.*

(3) *Trade payables reflect outstanding amount payable to suppliers and vendors for purchase of goods and services.*

(4) *Average of trade payables as at the beginning and end of the period multiplied by 365 days over total cost of sales.*

(5) *Inventory reflects finished products, work in progress and raw materials.*

(6) *Average of inventory as at the beginning and end of the period multiplied by 365 days over purchases. Purchases reflect inventory closing balance less inventory opening balance plus cost of sales.*

(7) *Current assets over current liabilities prior to our IPO.*

(8) *Calculated by dividing total indebtedness by total shareholders' funds prior to our IPO.*

(9) *The high gearing ratio is primarily due to the merger deficit pursuant to the Internal Reorganisation and Acquisition of RWP as defined in Section 6.1.2 of this Prospectus, which resulted in the lower shareholders' funds prior to our IPO.*

<u>Trade receivables turnover period</u>
Our normal credit period given to our trade debtors generally ranges up to 120 days. Our pro forma trade receivables turnover period was 48.0 days in the year ended 31 December 2012.

The aging analysis for our pro forma trade receivables as at 31 December 2012 is as follows:

Past Due	Trade receivables [(1)]	% of total trade receivables [(1)]
	(RM in millions, except percentages)	
Current	147.2	47.7
1 to 30 days	51.0	16.5
31 to 60 days	21.3	6.9
61 to 90 days	38.8	12.6
91 to 120 days	13.2	4.3
121 to 150 days	15.4	5.0
151 to 180 days	10.8	3.5
181 to 365 days	10.0	3.2
More than one year	1.2	0.3
Total	**308.9**	**100.0**

Note:

(1) *After impairment of trade receivables.*

For the period from 31 December 2012 up to the LPD, the payments which have been received from the trade debtors is as follows:

Past Due	Trade receivables payment received
	(RM in millions)
Current	94.5
1 to 30 days	40.8
31 to 60 days	17.2
61 to 90 days	9.8
91 to 120 days	1.8
121 to 150 days	2.0
151 to 180 days	10.8
181 to 365 days	4.9
More than one year	0.2
Total	**182.0**

Trade payables turnover period

Our normal credit period given by our trade creditors generally ranges up to 90 days depending on the product or service. Our pro forma trade payables primarily consist of subcontractor fees, contract cost accruals and retention sum payable to contractors.

Our pro forma trade payables turnover period was 35.6 days in the year ended 31 December 2012.

We manage the disparity between our trade receivables and trade payables by using short-term financing, including bankers' acceptances and revolving credits, thus our trade payables should be reviewed together with our current liabilities (excluding current portion of long-term debt).

The aging analysis for our pro forma trade payables as at 31 December 2012 is as follows:

Past Due	Trade payables	% of total trade payables
	(RM in millions, except percentages)	
Current	77.3	55.0
1 to 30 days	4.3	3.1
31 to 60 days	2.2	1.6
61 to 90 days	1.0	0.7
91 to 120 days	42.5	30.2
121 to 150 days	0.2	0.1
151 to 180 days	0.1	0.1
181 to 365 days	0.5	0.3
More than one year	12.5	8.9
Total	140.6	100.0

For the period from 31 December 2012 up to the LPD, the payments which have been made to the trade creditors are as follows:

Past Due	Trade payable payment made (RM in millions)
Current	62.7
1 to 30 days	2.3
31 to 60 days	0.7
61 to 90 days	0.8
91 to 120 days	0.7
121 to 150 days	0.1
151 to 180 days	0.0
181 to 365 days	0.0
More than one year	0.3
Total	**67.6**

Inventory turnover period
Our pro forma inventory mainly comprised of consumables, spares and raw materials in our power and environment businesses. Our pro forma inventory turnover period was 14.1 days in the year ended 31 December 2012.

Current ratio
Our current ratio on a pro forma basis was 1.3 times as at 31 December 2012.

Gearing ratio
Our gearing ratio on a pro forma basis was 5.8 times as at 31 December 2012.

(ix) Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future material effect on results of operations or our financial condition.

10.2.7 Financial risk management

We are exposed to certain financial risks that arise in our normal course of business. The objective of our financial risk management is to minimise potential adverse effects from the unpredictability of financial markets on our financial performance. We use relevant financial instruments to hedge our exposure to such risk, such as foreign currency forward contracts.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risk, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures.

Our key financial risks are as follows:

(i) Foreign currency risk

In our environment business foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the NA of the business's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The business maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property and investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

In our oil and gas business, we use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after entering into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item and only applied when there is a firm commitment in place.

As at 31 December 2012, the pro forma trade receivables and trade payables of our oil and gas business that are denominated in foreign currencies, principally the USD, amounted to RM17.3 million and RM0.3 million, respectively. It is our policy in our oil and gas business to use forward currency contracts to eliminate currency exposures on any individual transactions for which payment is expected more than one month after we have entered into a firm commitment for a sale or purchase.

We do not have material exposure to foreign currency risk in our power business.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings. Our policy is to manage interest cost using a mix of fixed and floating rate instruments. For further information concerning our interest rate risk, refer to Note 5.4.44(c) to the Accountants' Report set out in Section 11 of this Prospectus.

(iii) Credit risk

Our oil and gas business and our power business have significant concentrations of credit risk. In our oil and gas business, as at 31 December 2012, pro forma outstanding balances due from 4 customers accounted for 97.0% of total trade receivables. In our power business, we have only one customer, which accounts for all of our trade receivables. Our objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure, and accordingly we seek to trade only with recognised and creditworthy third parties, and we monitor receivable balances on an ongoing basis. For further information, refer to Note 5.4.44(a) to the Accountants' Report set out in Section 11 of this Prospectus.

(iv) Liquidity risk

Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

(v) Capital risk

Our primary objective when managing capital is to ensure that we maintain healthy capital ratios to support our business and maximise shareholder value. We monitor our capital structure and make adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to our shareholders, return capital to shareholders or issue new shares. For further information concerning our capital management, refer to Note 5.4.45 to the Accountants' Report set out in Section 11 of this Prospectus.

10.2.8 Treasury objectives

Our treasury objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities by maintaining adequate liquidity and credit facilities.

We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles. Our liquidity and funding plans are designed to meet our funding requirements under normal and stress scenarios, which include primarily purchases of raw materials, payroll, interest and principal payments on outstanding borrowings, dividends, and general obligations such as operating expenses, collateral deposits held or collateral posted to counterparties. We have historically relied on cash generated from our business operations and external unsecured and secured sources, including credit extended by our suppliers, bankers' acceptances, term loans, revolving credits and other borrowings from financial institutions. Our funding objective is to obtain the most suitable type of financing and favourable cost of funding as our financing needs arise.

In our oil and gas business, we seek to hedge the foreign currency exchange rate risk inherent in contracts denominated in currencies other than RM using forward contracts on a contract-by-contract basis.

10.2.9 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the period presented. However, inflation may affect our financial performance by increasing certain of our operating expenses denominated in RM, including expenses relating to labour costs, selling and distribution expenses and administrative expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased selling prices of our products and/or increased Government subsidies.

10.2.10 Government/economic/fiscal/monetary policies

Except as disclosed under Sections 5 and 8 of this Prospectus, there are no material government/economic/fiscal/monetary policies required to be described in this Prospectus.

10.2.11 Order book

The details of our order book as at the LPD are as follows [(1)]:

	Revenue to be recognised for the years ending 31 December			
Nature	**2013**	**2014**	**2015**	**Total**
		(RM in millions)		
Oil and gas				
EPCM	46.5	35.2	-	81.7
Engineering	75.8	3.6	-	79.4
				161.1
Environment				
NRW	24.1	18.2	3.6	45.9
EPCIC and O&M	1.5	0.4	0.5	2.4
EPC	51.9	26.1	-	78.0
BOT	33.2	18.0	5.0	56.2
Supply of wastewater treatment plant and commissioning	9.9	0.5	-	10.4
				192.9
Total				**354.0**

Note:

(1) *Our power business does not have an order book.*

10.2.12 Prospects

The results of our operations and financial condition for the year ending 31 December 2013 are expected to be primarily influenced by the following factors, in addition to the factors included in Section 5 of this Prospectus:

(i) our ability to maintain our market share and grow our revenue;

(ii) the condition of the Malaysian and global economy and expectations of economic recovery; and

(iii) our ability to manage our operating costs.

Except as disclosed above and in Section 5 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations, and our Board expects our performance for the year ending 31 December 2013 to be satisfactory.

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10.3 Historical combined financial information

All references to our financial condition and results of operations within Sections 10.3 and 10.4 herein refer to the Identified Entities' financial condition and results of operations.

The following selected historical financial information for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 have been prepared from the consolidated financial statements of RB as well as the individual financial statements of the Identified Entities and should be read in conjunction with the "Management's discussion and analysis of financial condition and results of operations based on combined financial information" set out in Section 10.4 of this Prospectus and the Accountants' Report together with its related notes as set out in Section 11 of this Prospectus.

Prospective investors should note that we are part of the RB Group prior to the Internal Reorganisation and did not operate independently as a group. The Combined Financial Statements have been prepared as if the Identified Entities have operated as a single economic entity throughout the financial years ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012. The financial information as presented in the Combined Financial Statements may not be the same as the consolidated financial statements of our Group post IPO. Further, such information does not purport to predict our Group's financial position, results and cash flows. Refer to Sections 6.1.2 and 10.6 of this Prospectus for further information on the Internal Reorganisation and our pro forma consolidated financial information.

10.3.1 Historical combined statements of comprehensive income

	(Audited)		
	Year ended 30 June	**18 months ended 31 December**	**Year ended 31 December**
	2010	**2011**	**2012**
	(RM'000)	**(RM'000)**	**(RM'000)**
Revenue	1,346,358	2,454,146	1,985,193
Cost of sales	(916,321)	(1,702,060)	(1,395,204)
Gross profit	430,037	752,086	589,989
Interest income	13,181	67,314	77,369
Other income	1,420,498	14,773	60,587
Administrative expenses	(198,270)	(362,152)	(249,568)
Other operating expenses	(1,489)	(3,260)	(2,059)
Tendering and marketing expenses	(3,996)	(3,965)	(2,470)
Finance costs	(88,113)	(115,137)	(84,505)
Zakat	-	(3,336)	(1,968)
Share of results of associates	851	(9,071)	-
PBT	1,572,699	337,252	387,375
Income tax expense	(44,882)	(35,370)	(105,149)
PAT	**1,527,817**	**301,882**	**282,226**
Other comprehensive income:			
Foreign currency translation, representing other comprehensive income for the period/year, net of tax	(5,434)	(203)	(1,759)
Total comprehensive income for the period/year	**1,522,383**	**301,679**	**280,467**

10. FINANCIAL INFORMATION *(cont'd)*

	(Audited)		
	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
	(RM'000)	(RM'000)	(RM'000)
PAT attributable to:			
Equity holders of our Company	1,059,781	181,572	161,091
Non-controlling interests	468,036	120,310	121,135
	1,527,817	**301,882**	**282,226**
Total comprehensive income attributable to:			
Equity holders of our Company	1,056,002	181,367	159,882
Non-controlling interests	466,381	120,312	120,585
	1,522,383	**301,679**	**280,467**
EBITDA[1]	1,809,338	665,910	594,881
Gross profit margin[2] (%)	31.94	30.65	29.72
EBITDA margin[3] (%)	[8]134.39	27.13	29.90
PBT margin[4] (%)	[8]116.81	13.74	19.51
PAT margin[5] (%)	[8]113.48	12.30	14.22
Basic EPS[6] (RM)	1.68	0.29	0.25
Diluted EPS[7] (RM)	1.10	0.19	0.17

Notes:

(1) *EBITDA represents earnings before interest, taxation, depreciation and amortisation.*

(2) *Computed based on gross profit over total revenue.*

(3) *Computed based on EBITDA over total revenue.*

(4) *Computed based on PBT over total revenue.*

(5) *Computed based on PAT over total revenue.*

(6) *Computed based on PAT attributable to equity holders of our Company over 631.8 million Shares, being the weighted average number of Shares in issue for the year/period ended under review.*

(7) *Computed based on PAT attributable to equity holders of our Company over the enlarged share capital of approximately 961.8 million Shares, after taking into account the Public Issue.*

(8) *The higher margin is due to the unusual non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB in connection with the Migration.*

10.3.2 Historical combined statements of financial position

	Audited		
	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
	(RM'000)	(RM'000)	(RM'000)
Non-current assets			
Property, plant and equipment	632,403	616,598	616,709
Construction in progress	536,539	-	-
Investment properties	438	400	375
Operating financial assets	72,232	104,404	152,360
Service concession assets	310,204	95,586	364,735
Intangibles	323,946	323,946	328,446
Finance lease receivables	139,911	730,261	699,831
Deferred tax assets	373,743	387,769	338,858
Investment in associates	7,309	168	-
Trade and other receivables	70,546	70,546	70,546
	2,467,271	2,329,678	2,571,860
Current assets			
Operating finance assets	688	3,794	5,359
Inventories	27,808	52,196	58,907
Finance lease receivables	-	28,238	30,430
Trade and other receivables	917,695	1,399,205	1,539,312
Other financial assets	-	-	43,554
Tax recoverable	6,932	4,987	6,174
Other current assets	152,565	177,716	101,453
Deposits, cash and bank balances	347,854	447,246	454,139
	1,453,542	2,113,382	2,239,328
Total assets	**3,920,813**	**4,443,060**	**4,811,188**
Non-current liabilities			
Retirement benefit obligations	40,831	49,214	54,049
Finance lease payables	1,421	1,053	1,212
Long term borrowings	897,054	1,892,229	1,855,098
Trade and other payables	7,648	9,007	569
Service concession obligations	200,316	-	171,869
Consumer deposits	127,142	141,298	141,485
Deferred tax liabilities	197	11,538	35,761
	1,274,609	2,104,339	2,260,043
Current liabilities			
Retirement benefit obligations	2,245	1,755	4,664
Finance lease payables	816	580	702
Short term borrowings	83,991	65,087	72,321
Derivatives	-	1,612	-
Zakat	2,037	4,191	4,335
Trade and other payables	853,323	387,836	441,254
Other current liabilities	15,946	26,772	20,055
Service concession obligations	154,316	115,426	164,402
Tax payable	1,778	9,262	7,985
	1,114,452	612,521	715,718
Total liabilities	**2,389,061**	**2,716,860**	**2,975,761**

10. FINANCIAL INFORMATION *(cont'd)*

	Audited		
	Year ended 30 June	**18 months ended 31 December**	**Year ended 31 December**
	2010	**2011**	**2012**
	(RM'000)	**(RM'000)**	**(RM'000)**
Equity			
Equity contribution and other reserves	1,048,016	1,134,716	1,194,492
Non-controlling interests	483,736	591,484	640,935
Total equity	**1,531,752**	**1,726,200**	**1,835,427**
Total equity and liabilities	**3,920,813**	**4,443,060**	**4,811,188**
NA [(1)]	1,048,016	1,134,716	1,194,492
NA per Share (RM) [(2)]	1.66	1.80	1.89

Notes:

(1) *Being NA attributable to ordinary shareholders (excluding non-controlling interests).*

(2) *Computed based on NA attributable to ordinary shareholders (excluding non-controlling interests) over 631.8 million Shares, being the weighted average number of Shares in issue for the year/period ended under review.*

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10.3.3 Historical combined statements of cash flows

	Audited		
	Year ended 30 June	**18 months ended 31 December**	**Year ended 31 December**
	2010	**2011**	**2012**
	(RM'000)	**(RM'000)**	**(RM'000)**
Cash flows from operating activities			
Cash receipts from customers	1,194,952	2,498,931	2,003,904
Cash paid to suppliers and employees	(1,064,128)	(2,096,845)	(1,549,843)
Cash paid from operations	130,824	402,086	454,061
Tax paid	(27,476)	(28,978)	(34,506)
Net cash generated from operating activities	103,348	373,108	419,555
Cash flows from investing activities			
Proceeds from realisation of water related assets to PAAB	937,125	177,143	-
Net fixed deposit (withdrawn)/placed for banking facility	(8,321)	9,826	580
Interest income from fixed deposits	8,581	17,738	10,042
Proceeds from the disposal of property, plant and equipment	411	602	461
Purchase of property, plant and equipment including softwares	(21,987)	(54,519)	(48,113)
Construction cost incurred	(391,610)	(69,708)	-
Proceeds from disposal of investment in subsidiary	-	74,820	2
Investment in Islamic managed funds	-	-	(43,519)
Investment in associates	(3,739)	(2,142)	(705)
Net cash flows generated from/(used in) investing activities	520,460	153,760	(81,242)
Cash flows from financing activities			
Interest paid	(73,438)	(97,886)	(83,166)
Restricted deposits, cash and bank balances	(59,024)	(114,559)	(1,930)
Dividends paid to holding company	(944,719)	(198,947)	(146,493)
Repayment of term loans	(37,271)	(19,604)	(67,045)
Net advances to holding company	(35,203)	(1,088,988)	(53,811)
Net advances (to)/from related parties	-	-	(10,594)
Advances to Jointly controlled entity	-	-	(2,238)
Drawdown of borrowings	465,538	997,203	34,223
Finance lease principal payments	(7,866)	(504)	(719)
Net cash flows used in financing activities	(691,983)	(523,285)	(331,773)
Net increase/(decrease) in cash and cash equivalents	(68,175)	3,583	6,540
Effect of foreign exchange rate changes	(6,294)	(2,617)	(908)
Cash and cash equivalents at beginning of period/year	286,307	211,838	212,804
Cash and cash equivalents at end of period/year	211,838	212,804	218,436

10.4 Management's discussion and analysis of financial condition and results of operations based on combined financial information

The following discussion and analysis of our combined financial information with respect to the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 are based on, and should be read in conjunction with, our Combined Financial Statements for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 and related notes included in the Accountant's Report in Section 11 of this Prospectus. The Combined Financial Statements have been prepared in accordance with the MFRS and also comply with International Financial Reporting Standards.

10.4.1 Introduction

We are a Malaysian conglomerate with interests in 3 businesses: oil and gas, power generation and environment. We conduct our operations and provide our services primarily in Malaysia, and our international operations are centred in Asian markets such as China, Thailand and South East Asia.

In our oil and gas business, we provide multidisciplinary engineering services to onshore and offshore oil and gas, refinery and petrochemical industries. Our scope of services includes feasibility and concept studies (which we refer to as "**SELECT**"), front-end engineering design (which we refer to as "**FEED**"), and detailed engineering, procurement services, construction management (which we refer to as "**EPCM**").

In our power business, we own and operate two 190 MW CCGT power plants in Sabah via our subsidiaries, RPI and RPII, on a BOO and BOT basis, respectively. We have entered into PPAs with Sabah Electricity, a subsidiary of TNB, providing for the sale of up to 380 MW of electricity generating capacity and electricity production for a 21-year period, commencing on 25 October 2008, with respect to RPI, and commencing on 22 April 2011, with respect to RPII.

In our environment business, we have been granted an exclusive licence (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, the second most populous state in Malaysia, with a population of approximately 3.4 million people as at 2012 *(Source: Department of Statistics, Malaysia)*. Outside of Malaysia, we have 10 water and wastewater concessions in relation to water treatment plants and wastewater treatment plants, with an aggregate treatment capacity of 310 MLD. In addition, through our jointly-controlled entity Yichun Pinang, we also operate a potable water treatment plant in Yichun City, China with a treatment capacity of 50 MLD.

The following table sets forth the contribution of each of our segment businesses to our revenue for the periods indicated:

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	2011	2012
		(RM in millions)	
Oil and gas	385.4	834.2	758.4
Power	226.8	462.2	355.7
Environment	729.5	1,150.8	866.8
Other businesses	5.6	8.0	5.1
Inter-segment sales	(1.0)	(1.1)	(0.8)
Total	1,346.3	2,454.1	1,985.2

Our total revenue was RM1,985.2 million for the year ended 31 December 2012, RM2,454.1 million for the 18 months ended 31 December 2011 and RM1,346.3 million for the year ended 30 June 2010, and our PAT was RM282.2 million for the year ended 31 December 2012, RM301.9 million for the 18 months ended 31 December 2011 and RM1,527.8 million for the year ended 30 June 2010.

10.4.2 Basis of presentation of combined financial information

The Combined Financial Statements for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 included in the Accountants' Report in Section 11 of this Prospectus have been prepared from the consolidated financial statements of RB as well as the individual financial statements of the Identified Entities for the financial years/periods under review. The Combined Financial Statements have been prepared as if the Identified Entities had operated together as a single economic entity throughout the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012. The Combined Financial Statements have also been prepared on a historical cost basis, except as otherwise stated in the accounting policies set out as Note 5.4.2.2 to the Accountants' Report set out in Section 11 of this Prospectus.

10.4.3 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been, or are expected to be, affected by a number of factors, including those set out below:

(i) Oil and gas business

(a) Demand for oil and gas engineering services

The revenue of our oil and gas business consists primarily of fees paid by clients for the provision of engineering, project management and procurement services. The level of exploration, development and production activity in the oil and gas industry largely determines the level of demand for our oil and gas engineering services at any given time, and the level of exploration, development and production activity depends heavily on trends in oil and natural gas prices. If prices for oil and natural gas were to decrease significantly, it could have an adverse effect on demand for our services, which could in turn have an adverse effect on the results of operations of our oil and gas business.

(b) **Competition**

Our clients typically engage us to provide oil and gas engineering and related services for a project only after we successfully complete a competitive bidding process. Once we, either directly or via one of our affiliates, have been invited to bid on a project, our management reviews the risks and rewards involved in conducting the project and decides whether to submit a bid. In making bids, we take into account a variety of factors, including the project's specifications, our technical abilities and our estimates of the costs of employees, sub-contractors, supplies and other inputs involved in completing the project, as well as the profit that we expect to earn from executing the project. Some of our competitors may, however, have more experience, greater financial resources to invest in their capability to deliver innovative products or services, greater economies of scale, access to more advanced technology or access to lower-cost labour, or may be willing to execute projects at lower profit margins than we are. If competitors are able to provide more technically advanced products and services than we do at a competitive cost, or if lower-cost competitors were to acquire sufficient technology and experience to compete with us, the demand for our products and services may be reduced, which would adversely affect our revenue.

(c) Contribution of procurement activities to results of operations of our oil and gas business

In January 2011, our oil and gas business entered into a major contract with PETRONAS Gas, pursuant to which we are to provide engineering and procurement services in relation to the construction of the Melaka LNG Regas Unit. This contract contributed RM136.3 million and RM268.0 million to our revenue for the 18 months ended 31 December 2011 and year ended 31 December 2012, respectively, representing 16.3% and 35.3% of the revenue of our oil and gas business for these periods, respectively. A significant portion of our revenue from this contract consists of revenue in respect of procurement expenses, which represent expenses for materials and services that we procure for PETRONAS Gas and pass through to them at low margins. As a result, the gross margin of our oil and gas business was substantially lower in the 18 months ended 31 December 2011 than in the year ended 30 June 2010, and lower in the year ended 31 December 2012 than in the 18 months ended 31 December 2011. In future periods, the gross margin of our oil and gas business may be significantly affected by the proportion of our revenue that relates to procurement activities.

(d) **Foreign exchange fluctuations**

For the year ended 31 December 2012 and 18 months ended 31 December 2011, approximately 10.1 and 17.8%, respectively of our revenue of our oil and gas business was derived from contracts denominated in currencies other than RM, principally the USD. Since substantially all of the costs of our oil and gas business are denominated in RM, fluctuations in the exchange rate between RM and the USD or other foreign currencies that we are exposed to may not have a significant impact on the results of operations of our oil and gas business. We seek to hedge the foreign currency exchange rate risk inherent in contracts denominated in currencies other than RM using forward contracts on a contract-by-contract basis.

(ii) **Power business**

(a) **Application of IC 4 to our PPAs**

We have applied IC 4 to our PPAs. IC 4 prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. Pursuant to IC 4, we determined that each of our PPAs contains leases and accordingly, we have applied MFRS 117 to the lease elements of our PPAs. Under MFRS 117, RPII PPA has been determined to be a finance lease as it transfers substantially all the risks and rewards incidental to ownership of the RPII power plant to Sabah Electricity, as the lessee. On the other hand, RPI PPA does not meet the criteria of a finance lease as it does not transfer substantially all the risks and rewards incidental to ownership of the RPI power plant to Sabah Electricity, being the lessee.

Accordingly, capacity payments in respect of the RPI power plant are accounted for as revenue, whereas capacity payments in respect of the RPII power plant are apportioned between revenue, finance lease income and finance lease receivables. The level of capacity payments in respect of the RPII power plant increased significantly in April 2011 when the power plant commenced combined-cycle operations, and our cost of sales increased proportionately at that time. However, because a portion of those capacity payments is recorded as finance income rather than revenue, our reported revenue did not increase proportionately, which resulted in a decrease in the reported gross margin of our power business.

(iii) Environment business

(a) Effects of water tariff rate increases

The revenue of our environment business is derived from amounts we bill to our customers for water supply services, which in turn depend on water tariff rates and the volume of water delivered. Water tariff rates are subject to regulation by SPAN. If we are not permitted to raise water tariff rates in line with increases in our costs, the results of operations of our environment business may be adversely affected. Our current water tariff rates have been in effect since November 2010, and, accordingly, changes in water tariff rates have not had a significant impact on results of operations during the period between that date and 31 December 2012. We have submitted to SPAN a business plan covering the period from July 2012 through December 2014 that calls for an increase in our water tariff rates. If this or future rate increase requests are not approved by SPAN and SPAN does not assist SAJH in lowering its costs, the results of operations of our environment business in future periods would be adversely affected.

(b) Variability of lease payments due to PAAB

Our payments due to PAAB for the lease of water infrastructure assets in Johor are the largest component of the cost of sales for our environment business. The level of lease payments due to PAAB under our contracts relating to the lease of those assets is determined pursuant to a formula that is based on the total investment outlay by PAAB in the water assets and an annual charge rate of 6%, escalating at 2.5% per annum for 30 years. The level of lease payments due to PAAB is set on a triennial basis as part of SPAN's review and approval of our business plan. We currently expect that if SPAN does not approve our request for a water tariff rate increase in full, SPAN will require PAAB to agree to a reduction in the level of lease payments that will enable us to maintain fairly constant margins in our environment business. If we receive neither full approval of our requested water tariff rate increases nor an offsetting reduction either in the amount of the lease payments due to PAAB or in the amount of other expenses, the profitability of our environment business would be adversely affected.

(c) Effects of economic conditions in the State of Johor

The revenue of our environment business depends significantly on the volume of water we deliver to our customers. We have 3 main categories of customers in our water supply business in Johor, namely domestic, trade and industrial and institutional customers, and different water tariff rates are chargeable to different groups of customers. Water tariffs generally are higher for trade and industrial customers, and since our cost of sales for these customers is not correspondingly higher, we generally recognise higher gross margin on our sales to trade and industrial customers. If economic conditions in Malaysia, particularly in the State of Johor, were to deteriorate, it could have an adverse effect on the volume of water used by our customers, in particular our trade and industrial customers, which could, in turn, have an adverse effect on the results of operations of our environment business.

(d) Growth in revenue from foreign water concession assets

Revenue from our water concession assets outside Malaysia, principally in Thailand and China, has grown since 1 July 2009, albeit from a small base. In the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, revenue from our water concession assets outside Malaysia amounted to RM2.1 million, RM6.3 million and RM8.6 million, respectively, accounting for 0.2%, 0.6% and 1.0%, respectively, of our consolidated revenue. We expect the revenue contribution of our water concession assets outside Malaysia to increase going forward, and as a result, the reported results of our environment business will be increasingly affected by exchange rate fluctuations between the RM and other currencies, such as the THB and the RMB.

(iv) Other factors

In the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, RB bore certain corporate expenses and certain expenses with respect to our Sukuk that we expect to bear following our Listing as discussed below. As these expenses were not borne by the Identified Entities prior to our Listing, they do not appear in our Combined Financial Statements for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 presented elsewhere in this Prospectus.

Pursuant to the Internal Reorganisation and the Pre-IPO Reorganisation, our Group has been formed, and, as the holding company of our Group, our Company is expected to bear corporate expenses consisting principally staff costs, rental costs, repair and maintenance expenses, travel expenses, printing, stationery, telephone and fax expenses as well as legal, consultancy and secretarial fees. We expect these expenses to amount to approximately RM18.0 million in the year ending 31 December 2013.

In addition, in the 18 months ended 31 December 2011 and year ended 31 December 2012, RPSB had charged expenses incurred in respect of its Sukuk following its issuance by RPSB in June 2011 to RB. RB bore the interest and guarantee fee expenses relating to the Sukuk because RPSB on-lent substantially all of the proceeds of its Sukuk to RB. However, as a result of the Internal Reorganisation, wherein the amount owing by RB to RPSB was set-off against part of the purchase consideration paid by RPSB in connection with the Acquisition by RPSB, we will bear future interest and guarantee fee expenses relating to the Sukuk following our Listing. Based on the terms of the Sukuk, we expect the interest expense and guarantee fees relating to the Sukuk to amount up to RM54.0 million in the year ending 31 December 2013, depending on the timing and the final amount of our planned partial redemption of the Sukuk using proceeds of the IPO, as set out in Section 4.10 of this Prospectus. For further information concerning the Sukuk, refer to Note 5.4.30 to the Accountants' Report set out in Section 11 of this Prospectus.

10.4.4 Critical accounting policies

In preparing our Combined Financial Statements, we have been required to make estimates, assumptions and judgments regarding uncertainties that affect certain reported amounts of revenue and expenses during the reporting period, as well as certain reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the date of the financial statements. We have based these estimates, assumptions and judgments on our historical experience and on various other reasonable factors, which are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Our actual results may differ from these estimates, assumptions and judgments under different conditions. We believe our most critical accounting policies that result in the application of estimates, assumptions or judgments are the following:

(i) Depreciation of property, plant and equipment

At 31 December 2012 and 31 December 2011, our property, plant and equipment amounted to RM616.7 million and RM616.6 million, respectively, representing 12.8% and 13.9%, respectively, of our total assets at those dates. Our property, plant and equipment consists primarily of the RPI power plant, which is depreciated on a straight-line basis over the asset's estimated economic useful life of 35 years. While this is a common life expectancy applied in the industry, changes in the expected level of usage and technological developments could affect the economic useful life and the residual value of this asset, and, therefore, future depreciation charges could differ materially from historical levels. For further information concerning our property, plant and equipment, refer to Note 5.4.13 to the Accountants' Report set out in Section 11 of this Prospectus.

(ii) Finance lease accounting

We classify leases that transfer from us to the lessee substantially all the risks and rewards incidental to ownership of the leased item as finance lease receivables. We recognise finance lease receivables at an amount equal to the net investment in the lease. Lease payments are apportioned between 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 is recognised in profit or loss. As at 31 December 2012 and 31 December 2011, we had finance lease receivables of RM730.3 million and RM758.5 million, respectively, relating primarily to the RPII power plant. For further information concerning our finance lease receivables, refer to Note 5.4.20 to the Accountants' Report set out in Section 11 of this Prospectus.

(iii) Impairment of trade and other receivables

As at 31 December 2012 and 31 December 2011, our trade and other receivables amounted to RM1,609.9 million and RM1,469.8 million, respectively, accounting for 33.5% and 33.1% of our total assets at those dates. We assess at each reporting date whether there is any objective evidence that a financial asset, including our trade and other receivables, is impaired. To determine whether there is objective evidence of impairment, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is 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. For further information concerning our receivables, refer to Note 5.4.23 to the Accountants' Report set out in Section 11 of this prospectus.

(iv) Impairment of goodwill and intangible assets

Goodwill and indefinite life intangible assets are tested for impairment annually and at other times when indicators of impairment exist. This requires an estimate 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 goodwill and intangibles are disclosed in Note 5.4.18 to the Accountants' Report set forth in Section 11 of this Prospectus.

(v) Deferred tax assets

As at 31 December 2012 and 31 December 2011, our deferred tax assets amounted to RM338.9 million and RM387.8 million, respectively, accounting for 7.0% and 8.7%, respectively, of our total assets at those dates. Deferred tax assets consist primarily of capital allowances and unutilised investment allowances relating to our environment business and our power business and are recognised to the extent that it is probable that taxable profit will be available against which the capital allowances and unutilised reinvestment allowances can be utilised. Significant management judgment 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. For further information concerning our deferred tax assets, refer to Note 5.4.21 to the Accountants' Report set out in Section 11 of this Prospectus.

(vi) Income taxes

We are subject to income and withholding taxes in a number of jurisdictions in which we operate. 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. We recognise 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. For further information concerning income tax expenses, refer to Note 5.4.12 to the Accountants' Report set out in Section 11 of this Prospectus.

(vii) Defined benefit plan

Our retirement benefit obligations relate primarily to our environment business. The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. These actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. For further information concerning our retirement benefit obligations, refer to Note 5.4.28 to the Accountants' Report set out in Section 11 of this Prospectus.

(viii) Construction contracts and revenue recognition

For revenues and expenses generated from construction contracts, we apply the percentage of completion method of accounting, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. The determination of the stage of completion and the revenues to be recognised rely on numerous estimations based on costs incurred and acquired experience. Adjustments of initial estimates can, however, occur throughout the life of the contract, which can have significant impacts on future net income (loss).

As estimates inherent in construction contracts are subject to uncertainty, certain situations exist which we are unable to reliably estimate the outcome of a construction contract. These situations can occur during the early stages of a contract due to a lack of historical experience or throughout the contract as significant uncertainties develop in relation to additional costs, claims and performance obligations. For further information concerning the carrying amounts of assets and liabilities arising from construction contracts at the reporting date, refer to Note 5.4.14 to the Accountants' Report set out in Section 11 of this Prospectus.

(ix) Bulk supply rate applied for purchase of treated water

Pursuant to the Master Agreement, SAJH, RUSB, the Johor State Government and SAJSB executed the Water Supply Agreement ("**WSA**") which includes the supply of treated water by Southern Water Corporation Sdn Bhd ("**SWC**"). Under the WSA, we have to pay a certain bulk supply rate for treated water supplied by SWC. During the year ended 31 December 2012 and up to the LPD, there were several discussions, negotiations and correspondences between the relevant parties to revise the bulk supply rate for the year ended 30 June 2010 and 18 months ended 31 December 2011. We assess the impact of the potential revisions to be an overpayment to SWC of approximately RM14 million. In determining the recognition of this amount, we evaluated, amongst other factors, the stage of negotiations and the availability of evidence on the agreement by all relevant parties regarding the revised bulk supply rate. We are of the view that the revision to the bulk supply rate has yet to be finalised and accordingly that the potential overpayment should not be recognised in the statement of comprehensive income for the year ended 31 December 2012.

(x) Service concession assets

The service concession assets are determined based on the present value of the total estimated lease rental payable to PAAB, which has been computed based on certain reduced annual and escalation rates that have been agreed between the relevant parties. The reduced annual and escalation rates, however, are still subject to the approval of PAAB's board of directors. 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.

10.4.5 Results of operations

(i) Overview

The following discussion of our results of operations with respect to the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 is based on, and should be read in conjunction with, our Combined Financial Statements and related notes included in this Prospectus.

Our primary businesses are as follows:

- Oil and gas — provision of project management and multidisciplinary engineering services to the onshore and offshore oil and gas, refinery and petrochemical industries;

- Power — sale of generating capacity and electrical energy in accordance with our PPAs; and

- Environment — provision of source-to-tap water supply services for the State of Johor, ownership of water and wastewater treatment concessions, provision of EPCM services for water-related projects and consultancy for water-related operation and maintenance work (primarily NRW reduction activities).

These businesses collectively accounted for 99.7%, 99.7% and 99.8% of our revenue in the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, respectively. In addition to our primary businesses, our results also include the results of RBV, which provides real estate services to our primary businesses, our associate, RBSB and other related and external parties. As RBV is a subsidiary, the services that it provides to our primary businesses have no impact on our revenue. Amounts attributable to RBV are included as other businesses under revenue presentations.

Components of our results of operations are as follows.

(a) Revenue

Our revenue is primarily derived from 3 sources:

- In our oil and gas business, fees paid by our clients for the provision of engineering services and related services, as well as procurement expenses reimbursed by our clients;
- In our power business, capacity payments (for maintenance of dependable capacity and availability of our power plants) and energy payments (for electricity generation) made by Sabah Electricity, our sole power customer, pursuant to our PPAs; and
- In our environment business, amounts billed to customers for the supply of water in the State of Johor and customers of our other concessions, revenue recognised with respect to construction services in BOT concession arrangements and fees paid by our clients for other EPCM services and for consultancy with respect to water-related operation and maintenance work (primarily NRW reduction activities).

For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, respectively, our revenue were RM1,346.3 million, RM2,454.1 million and RM1,985.2 million, respectively.

The following table sets forth the contribution of each of our business segments to our revenue and as a percentage of our revenue for the periods indicated:

	Year ended 30 June		18 months ended 31 December		Year ended 31 December	
	2010		2011		2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	385.4	28.6	834.2	34.0	758.4	38.2
Power	226.8	16.9	462.2	18.8	355.7	17.9
Environment	729.5	54.2	1,150.8	46.9	866.8	43.7
Other business [1]	4.6	0.3	6.9	0.3	4.3	0.2
Total	**1,346.3**	**100.0**	**2,454.1**	**100.0**	**1,985.2**	**100.0**

Note:

(1) Includes real estate services rendered by RBV to our associate, RBSB and other related and external parties (after netting off inter-segment sales with our Group).

The following table sets forth our revenue by geographic area of our customers by business segment and the relevant percentage of our revenue for the periods indicated:

	Year ended 30 June		18 months ended 31 December		Year ended 31 December	
	2010		2011		2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	**385.4**	**28.6**	**834.2**	**34.0**	**758.4**	**38.2**
Malaysia	250.1	18.6	645.1	26.3	643.8	32.4
Others[(1)]	135.3	10.0	189.1	7.7	114.6	5.8
Power	**226.8**	**16.9**	**462.2**	**18.8**	**355.7**	**17.9**
Malaysia	226.8	16.9	462.2	18.8	355.7	17.9
Others	-	-	-	-	-	-
Environment	**729.5**	**54.2**	**1,150.8**	**46.9**	**866.8**	**43.7**
Malaysia	677.0	50.3	1,095.0	44.6	807.3	40.7
Others[(2)]	52.5	3.9	55.8	2.3	59.5	3.0
Other businesses	**4.6**	**0.3**	**6.9**	**0.3**	**4.3**	**0.2**
Malaysia	4.6	0.3	6.9	0.3	4.3	0.2
Others	-	-	-	-	-	-

Notes:

(1) Includes primarily revenue from Singapore, Korea, Australia, the Philippines and Vietnam.

(2) Includes primarily revenue from China, Thailand and India.

(b) Cost of sales

Our cost of sales consists primarily of the following items:

- In our oil and gas business, employee benefits expenses, subcontractor costs and procurement expenses;
- In our power business, the cost of fuel consumption (principally natural gas), O&M expenses, depreciation and staff costs; and
- In our environment business, water and water-related costs (including principally purchase of raw and treated water), purchase of chemicals, utilities (mainly electricity costs), employee benefits expenses and maintenance costs), as well as lease payments under our lease agreement with PAAB.

For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our cost of sales was RM916.3 million, RM1,702.0 million and RM1,395.2 million, respectively.

The following table sets forth our cost of sales by each business segment and as a percentage of cost of sales for the periods indicated:

	Year ended 30 June 2010		18 months ended 31 December 2011		Year ended 31 December 2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	237.3	25.9	560.8	32.9	559.4	40.1
Power	133.5	14.6	314.6	18.5	239.4	17.2
Environment	539.6	58.9	818.4	48.1	591.9	42.4
Other businesses	5.9	0.6	8.2	0.5	4.5	0.3
Total	916.3	100.0	1,702.0	100.0	1,395.2	100.0

The following table sets forth our cost of sales for the periods indicated:

	Year ended 30 June 2010	18 months ended 31 December 2011	Year ended 31 December 2012
	(RM in millions)		
Water and its related cost	447.5	710.5	507.8
Construction contract costs	274.7	612.8	600.7
Operation and maintenance costs	52.7	52.7	40.9
Management and consultancy costs	2.0	3.2	1.9
Power and its related costs	133.5	314.6	239.4
Rental costs	5.9	8.2	4.5
Total	916.3	1,702.0	1,395.2

(c) Gross profit and gross margin

The following table sets forth our gross profit by each business segment and as a percentage of our gross profit for the periods indicated:

	Year ended 30 June 2010		18 months ended 31 December 2011		Year ended 31 December 2012	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Oil and gas	148.2	34.5	273.4	36.4	199.0	33.7
Power	93.3	21.7	147.6	19.6	116.3	19.7
Environment	189.8	44.1	332.4	44.2	274.9	46.6
Other businesses[(1)]	(1.3)	(0.3)	(1.3)	(0.2)	(0.2)	0.0
	430.0	100.0	752.1	100.0	590.0	100.0

Note:

(1) *Includes real estate services rendered by RBV to our associate, RBSB and other related and external parties (after netting off inter-segment sales with our Group).*

The following table sets forth our gross margin by each business and for our Group for the periods indicated:

	Year ended 30 June	18 months ended 31 December	Year ended 31 December
	2010	**2011**	**2012**
		(%)	
Oil and gas	38.5	32.8	26.2
Power	41.1	31.9	32.7
Environment	26.0	28.9	31.7
Group	31.9	30.6	29.7

(d) Interest income

A portion of the capacity payment that we receive from Sabah Electricity in respect of the capacity of the RPII power plant is accounted for as interest income on finance lease receivable. The level of capacity payments in respect of the RPII power plant increased significantly in April 2011 when the power plant commenced combined-cycle operations. For further information, refer to Section 10.4.3(ii)(a) of this Prospectus. To a lesser extent, interest income also includes interest on fixed deposits and repurchase agreements of our power and environment businesses. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our interest income was RM13.2 million, RM67.3 million and RM77.4 million, respectively.

(e) Other income

Our other income consists primarily of gain on disposal of fixed assets, rental income and unrealised foreign exchange gains. Our other income for the year ended 30 June 2010 also includes reversal of RM19.4 million in interest accrued on late payments to a trade creditor. In the year ended 30 June 2010, we recorded a non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets and corresponding liabilities to PAAB in connection with the Migration as a result of the retrospective application of IC12. This amount represented the difference in the measurement of the concession assets and liabilities between those previously applied and those under IC12. The cumulative discounting effect since inception, amortisation of the concession assets and the interest accretion of the concession liabilities gave rise to the RM1,370.1 million credit when the migration of the concession to the new regime was completed. This unusual item had a substantial effect on our financial results for that period.For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our other income was RM1,420.5 million, RM14.8 million and RM60.6 million, respectively.

(f) Administrative expenses

Our administrative expenses consist primarily of employee benefits expenses (which includes labour costs, director remuneration, employee retirement plan contributions and staff travel expenses), rent and lease payments for land, buildings, plants and equipment, depreciation and amortisation, maintenance and repair costs, professional fees, audit fees, insurance expenses and other overhead costs. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our administrative expenses were RM198.3 million, RM362.1 million and RM249.6 million, respectively.

(g) Other operating expenses

Our other operating expenses consist primarily of payments made to Akaun Amanah Industri Bekalan Elektrik (the Malaysian Electricity Supply Industries Trust Account). For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our other operating expenses were RM1.5 million, RM3.3 million and RM2.1 million, respectively.

(h) Tendering and marketing expenses

Our tendering and marketing expenses consist primarily of business development expenses, travel expenses and other expenses relating to tendering and marketing activities. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our tendering and marketing expenses were RM4.0 million, RM4.0 million and RM2.5 million, respectively.

(i) Finance costs

Our finance costs relate primarily to interest costs of the IMTN, Musharakah medium term notes and a conventional syndicated term loan incurred by our power business as well as purchase and leasing interest, refinancing interest and other term loan interest of our power and environment businesses. In the year ended 30 June 2009 and the first 2 months of the year ended 30 June 2010, prior to the transfer of water-related assets and associated liabilities to PAAB, finance costs also included interest expense on those liabilities. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our finance costs were RM88.1 million, RM115.1 million and RM84.5 million, respectively.

(j) Zakat

Zakat is a payment made by our environment and power businesses on their respective zakat bases, which consist in each case of net current assets, adjusted for items that do not meet the conditions for zakat assets and liabilities. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our zakat payments were zero, RM3.3 million and RM2.0 million, respectively.

(k) Share of results of associates

Our share of results of associates relates to our 50% less one share equity interest in RBSB and the 40% equity interest that we have in Haldia Water. For the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012, our share of results of associates was a profit of RM0.9 million, a loss of RM9.1 million and zero, respectively.

(l) Income tax expense

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. Deferred taxes are recognised 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.

(ii) Year ended 31 December 2012 compared to 18 months ended 31 December 2011

The following table presents selected statements of comprehensive income data, the percentage such amounts represent of our revenue and their percentage change for the periods indicated:

	18 months ended 31 December 2011		Year ended 31 December 2012		Change[1]
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	2,454.1	100.0	1,985.2	100.0	21.3
Cost of sales	(1,702.0)	(69.4)	(1,395.2)	(70.3)	23.0
Gross profit	752.1	30.6	590.0	29.7	17.7
Other items of income					
Interest income	67.3	2.7	77.4	3.9	72.5
Other income	14.8	0.6	60.6	3.1	514.2
Other items of expense					
Administrative expenses	(362.1)	(14.7)	(249.6)	(12.6)	3.4
Other operating expenses	(3.3)	(0.1)	(2.1)	(0.1)	(4.5)
Tendering and marketing expenses	(4.0)	(0.2)	(2.5)	(0.1)	(6.2)
Finance costs	(115.1)	(4.7)	(84.5)	(4.3)	10.1
Zakat	(3.3)	(0.1)	(2.0)	(0.1)	(9.1)
Share of results of associates	(9.1)	(0.4)	–	–	(100.0)
PBT	**337.3**	**13.7**	**387.3**	**19.5**	72.2
Income tax expense	(35.4)	(1.4)	(105.1)	(5.3)	345.3
PAT	**301.9**	**12.3**	**282.2**	**14.2**	40.2

Note:

(1) *Because of the differences in the length of the 2 periods being compared, percentage change has been calculated as follows:*

$$\frac{(a) - (b)}{(b)}$$

(a) refers to the relevant amount for the year ended 31 December 2012; whilst (b) refers to the corresponding amount for the 18 months ended 31 December 2011 on an annualised basis (that is, multiplied by 2/3).

(a) Revenue

Our revenue was RM1,985.2 million in the year ended 31 December 2012, 21.3% higher (on an annualised basis) than the RM2,454.1 million recorded for the 18 months ended 31 December 2011. The increase was due to revenue growth in all 3 of our primary business segments.

<u>Oil and gas</u>
Our oil and gas business accounted for 38.2% of our revenue in the year ended 31 December 2012, compared to 34.0% in the 18 months ended 31 December 2011. Revenue for our oil and gas business was RM758.4 million in the year ended 31 December 2012, 36.4% higher (on an annualised basis) than the RM834.2 million recorded for the 18 months ended 31 December 2011. This increase was primarily due to increases in both man-hours billed and chargeability and an increase in the contribution of procurement and non-labour reimbursements to revenue, primarily due to increased volume of work on the Melaka LNG Regas Unit.

<u>Power</u>
Our power business accounted for 17.9% of our revenue in the year ended 31 December 2012, compared to 18.8% in the 18 months ended 31 December 2011. Revenue for our power business was RM355.7 million in the year ended 31 December 2012, 15.4% higher (on an annualised basis) than the RM462.2 million recorded for the 18 months ended 31 December 2011. This increase was primarily due to a RM27.5 million increase in revenue from RPI (primarily due to increased capacity payments and, to a lesser extent, due to increased energy payments) and a RM20.1 million increase in revenue from RPII (mainly due to the fact that the plant operated on a combined-cycle basis throughout the year ended 31 December 2012, compared to only 8 months in the 18 months ended 31 December 2011).

<u>Environment</u>
Our environment business accounted for 43.7% of our total revenue in the year ended 31 December 2012, compared to 46.9% in the 18 months ended 31 December 2011. Revenue for our environment business was RM866.8 million in the year ended 31 December 2012, 13.0% higher (on an annualised basis) than the RM1,150.8 million recorded for the 18 months ended 31 December 2011. This increase was a result of a slight increase in the volume of water delivered in Johor and an increase in revenue from water concessions in China as our China business expanded.

(b) Cost of sales

Our cost of sales for the year ended 31 December 2012 was RM1,395.2 million, 23.0% higher (on an annualised basis) than the RM1,702.0 million recorded for the 18 months ended 31 December 2011, principally due to increased cost of sales in our oil and gas business.

Oil and gas
Cost of sales for our oil and gas business was RM559.4 million in the year ended 31 December 2012, accounting for 40.1% of our cost of sales. Cost of sales for our oil and gas business increased 49.6% in the year ended 31 December 2012 (on an annualised basis) from RM560.8 million in the 18 months ended 31 December 2011, at a rate higher than the rate of increase in revenue, primarily as a result of increased man-hour costs and increased procurement expenses and subcontractor expenses.

Power
Cost of sales for our power business was RM239.4 million in the year ended 31 December 2012, accounting for 17.2% of our total cost of sales. Cost of sales for our power business increased 14.1% in the year ended 31 December 2012 (on an annualised basis) from RM314.6 million in the 18 months ended 31 December 2011. This increase resulted from higher diesel consumption to generate electricity, which in turn was due to a temporary interruption in gas supply in the year ended 31 December 2012 as a result of maintenance activity carried out by PETRONAS at its offshore gas platform and pipelines.

Environment
Cost of sales for our environment business was RM591.9 million in the year ended 31 December 2012, accounting for 42.4% of our cost of sales. Cost of sales for our environment business increased 8.5% in the year ended 31 December 2012 (on an annualised basis) from RM818.4 million in the 18 months ended 31 December 2011, in line with the increase in our revenue for our environment business as described in Section 10.4.5(ii)(a) above as well as due to the increase in cost of sales of RWSB in the year ended 31 December 2012. RWSB applies the percentage-of-completion accounting method to recognise revenue and costs for its NRW project in Kedah and any variation between the estimated cost to completion and actual cost incurred would be adjusted against the cost of sales towards the end of the project. As the Kedah project ended in the 18 months ended 31 December 2011, the cost of sales of the NRW project in Kedah was adjusted downwards in the 18 months ended 31 December 2011 as the budgeted cost of sales was higher than the actual costs incurred. There was no such adjustment to the cost of sales of RWSB's projects for the year ended 31 December 2012.

(c) Gross profit and gross margin

Our gross profit for the year ended 31 December 2012 increased by 17.7% (on an annualised basis) to RM590.0 million, compared to RM752.1 million for the 18 months ended 31 December 2011, as a result of the factors discussed in items (a) and (b) above. Our gross margin decreased slightly to 29.7% in the year ended 31 December 2012, compared to 30.6% in the 18 months ended 31 December 2011.

Oil and gas
Gross profit for our oil and gas business increased by 9.2% (on an annualised basis) to RM199.0 million for the year ended 31 December 2012, compared to RM273.4 million for the 18 months ended 31 December 2011. Our gross margin for our oil and gas business declined from 32.8% for the 18 months ended 31 December 2011 to 26.2% for the year ended 31 December 2012, primarily due to an increase in the proportion of revenue derived from reimbursement of procurement expenses, which typically have lower margins.

Power
Gross profit for our power business increased by 18.2% (on an annualised basis) to RM116.3 million for the year ended 31 December 2012, compared to RM147.6 million for the 18 months ended 31 December 2011. Our gross margin for our power business increased from 31.9% for the 18 months ended 31 December 2011 to 32.7% for the year ended 31 December 2012, primarily due to a scheduled increase in the rate at which capacity payments were due with respect to the RPI power plant. The increase in capacity payments did not contribute to a proportionate increase in the cost of sales as the primary factor used in the calculation of the capacity payments is the dependable capacity of our power plants for that period, and not the total electricity output of the power plants.

Environment
Gross profit for our environment business increased by 24.1% (on an annualised basis) to RM274.9 million for the year ended 31 December 2012, compared to RM332.4 million for the 18 months ended 31 December 2011. Our gross margin for our environment business increased slightly from 28.9% for the 18 months ended 31 December 2011 to 31.7% for the year ended 31 December 2012. The increase in the gross profit margin was mainly due to growth in the proportion of revenue derived from sales to trade and industrial customers, which generate higher margins than sales to domestic customers.

(d) **Interest income**

Our interest income increased to RM77.4 million in the year ended 31 December 2012 from RM67.3 million in the 18 months ended 31 December 2011. This increase was primarily attributable the commencement of combined-cycle operations at our RPII power plant in April 2011 which resulted in an increase in capacity payments received from Sabah Electricity, a portion of which is recorded as finance lease income. For further information, refer to Section 10.4.3(ii)(a) of this Prospectus.

(e) **Other income**

Our other income increased to RM60.6 million in the year ended 31 December 2012 from RM14.8 million in the 18 months ended 31 December 2011. This increase arose from discount received and receivable from PAAB in the amount of RM53.8 million for the year ended 31 December 2012, as compared to zero in the 18 months ended 31 December 2011. Discount received and receivable from PAAB relates to cumulative amounts that we collected from housing developers on behalf of PAAB for connecting their housing developments to the water supply system during the first operating period of SAJH under the licensing regime, being the period from 1 July 2009 to 30 June 2012, which have yet to be remitted to PAAB. With effect from the year ended 31 December 2012, PAAB waived its right to remittance of a portion of such amounts in its effort to provide some form of relief for the escalating lease rental charges payable to PAAB during the second operating period under the licensing regime, being the period from 1 July 2012 to 31 December 2014. Refer to Section 7.5.2(i)(b) and Note 5.4.7 to the Accountants' Report set out in Section 11 of this Prospectus for details on the licensing regime of SAJH and further information concerning other income, respectively.

(f) **Administrative expenses**

Our administrative expenses increased by 3.4% (on an annualised basis) to RM249.6 million in the year ended 31 December 2012 compared to RM362.1 million in the 18 months ended 31 December 2011, mainly as a result of an increase in employee benefits expenses in our environment business due to expansion of our environment business in China.

(g) **Other operating expenses**

Our other operating expenses decreased slightly (on an annualised basis) to RM2.1 million in the year ended 31 December 2012 as compared to RM3.3 million the 18 months ended 31 December 2011.

(h) **Tendering and marketing expenses**

Our tendering and marketing expenses decreased slightly (on an annualised basis) to RM2.5 million in the year ended 31 December 2012 from RM4.0 million in the 18 months ended 31 December 2011, mainly as a result of a decrease in travelling and business development expenses incurred by our oil and gas business.

(i) **Finance costs**

Our net finance costs in the 18 months ended 31 December 2011 has taken into consideration the capitalisation of interest on indebtedness relating to construction in progress, specifically construction of the RPII power plant through commencement of combined-cycle operations, in the amount of RM37.1 million, which had decreased our finance costs in the said financial period. Because capitalisation of interest on construction in progress ceased when the RPII power plant commenced combined-cycle operations in April 2011, our finance costs increased 10.1% (on an annualised basis) to RM84.5 million in the year ended 31 December 2012 as compared to RM115.1 million in the 18 months ended 31 December 2011. However, without regard to the capitalisation of construction in progress in the 18 months ended 31 December 2011, our finance costs decreased by 16.7% (on an annualised basis) in the year ended 31 December 2012, primarily as a result of refinancing charges incurred in the 18 months ended 31 December 2011 in connection with the conversion of our syndicated term loan into Musharakah medium term-notes, which refinancing charges did not recur in the year ended 31 December 2012. For further information concerning finance costs, refer to Note 5.4.8 to the Accountants' Report set forth in Section 11 of this Prospectus.

(j) **Zakat**

Our zakat expenses were RM2.0 million in the year ended 31 December 2012 compared to RM3.3 million in the 18 months ended 31 December 2011.

(k) **Share of results of associates**

Our share of results of associates was zero in the year ended 31 December 2012, because our accumulated share of losses in associates had exceeded the cost of investments in those associates. Share of results of associates was a loss of RM9.1 million in the 18 months ended 31 December 2011. This was largely due to our share of RBSB's RM5.7 million loss, primarily as a result of a provision on non-recoverability of a receivable from Libya, and our share of a RM3.4 million loss of Haldia Water.

(l) **PBT**

As a result of the factors discussed above, our PBT for the year ended 31 December 2012 increased by 72.2% (on an annualised basis) to RM387.3 million, compared to RM337.3 million for the 18 months ended 31 December 2011. Our PBT margin increased to 19.5% for the year ended 31 December 2012, compared to 13.7% for the 18 months ended 31 December 2011, primarily as a result of increased revenue, gross profit and finance income, offset by relatively moderate growth in administrative expenses.

(m) Income tax expense

We had an income tax expense of RM105.1 million in the year ended 31 December 2012, as compared to RM35.4 million for the 18 months ended 31 December 2011, primarily due to higher deferred tax asset recognised in the 18 months ended 31 December 2011 compared with the year ended 31 December 2012. When the RPII power plant commenced combined-cycle operations in April 2011, we recognised deferred tax assets relating to carried forward unused capital allowances and investment allowances to the extent that we determined it was probable that there would be future profits against which such allowances can be offset. As a result of the recognition of these deferred tax assets, our effective tax rate was 10.5% for the 18 months ended 31 December 2011, compared to 27.1% for the year ended 31 December 2012.

For the year ended 31 December 2012, the difference between our effective tax rate of 27.1% and the Malaysian statutory tax rate of 25% was primarily due to expenses not deductible for tax purposes of RM11.9 million, under provision of deferred tax in prior year of RM2.9 million and deferred tax assets not recognised of RM1.1 million, the effects of which were partially offset by non-taxable income of RM3.7 million and overprovision of income tax in prior year of RM3.8 million. For the 18 months ended 31 December 2011, the difference between our effective tax rate of 10.5% and the Malaysian statutory tax rate of 25% was primarily due to utilisation of that year's investment allowance of RM96.3 million, which was partially offset by deferred tax not recognised of RM39.2 million and expenses not deductible for tax purposes of RM26.0 million.

(n) PAT

As a result of the factors discussed above, our PAT increased by 40.2% (on an annualised basis) to RM282.2 million for the year ended 31 December 2012 from RM301.9 million for the 18 months ended 31 December 2011. Our PAT margin increased slightly to 14.2% for the year ended 31 December 2012 from 12.3% for the 18 months ended 31 December 2011.

(iii) 18 months ended 31 December 2011 compared to year ended 30 June 2010

We present an 18 month period for 2011 because in that year, we changed our financial year end from 30 June to 31 December, and we provide a comparison of the 18 months ended 31 December 2011 to the 12 months ended 30 June 2010. Because of the differences in the length of the 2 periods being compared, the percentage change in each line item discussed has been calculated on an annualised basis. The trends shown by comparison of annualised historical 18 month numbers to historical annual numbers are not necessarily identical to those that would be shown by comparison of 2 sets of historical annual numbers and should only be relied upon to provide an approximate gauge of the underlying trends.

The following table presents selected statements of comprehensive income data, the percentage such amounts represent of our revenue and their percentage change for the periods indicated.

	Year ended 30 June 2010		18 months ended 31 December 2011		Change[(1)]
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	1,346.3	100.0	2,454.1	100.0	21.5
Cost of sales	(916.3)	(68.1)	(1,702.0)	(69.4)	23.8
Gross profit	430.0	31.9	752.1	30.6	16.6
Other items of income					
Interest income	13.2	1.0	67.3	2.7	239.9
Other income	1,420.5	105.5	14.8	0.6	(99.3)
Other items of expense					
Administrative expenses	(198.3)	(14.8)	(362.1)	(14.7)	21.7
Other operating expenses	(1.5)	(0.1)	(3.3)	(0.1)	46.7
Tendering and marketing expenses	(4.0)	(0.3)	(4.0)	(0.2)	(33.3)
Finance costs	(88.1)	(6.5)	(115.1)	(4.7)	(12.9)
Zakat	0.0	0.0	(3.3)	(0.1)	0.0
Share of results of associates	0.9	0.1	(9.1)	(0.4)	(774.1)
PBT	**1,572.7**	**116.8**	**337.3**	**13.7**	(85.7)
Income tax expense	(44.9)	(3.3)	(35.4)	(1.4)	(47.4)
PAT	**1,527.8**	**113.5**	**301.9**	**12.3**	(86.8)

Note:

(1) *Because of the differences in the length of the 2 periods being compared, percentage change has been calculated as follows:*

$$\frac{(a) - (b)}{(b)}$$

(a) refers to the relevant amount for the 18 months ended 31 December 2011 on an annualised basis (that is, multiplied by 2/3); whilst
(b) refers to the corresponding amount for the year ended 30 June 2010.

(a) Revenue

Our revenue was RM2,454.1 million in the 18 months ended 31 December 2011, 21.5% higher (on an annualised basis) than the RM1,346.3 million recorded for the year ended 30 June 2010, primarily due to revenue growth in our oil and gas and power businesses.

Oil and gas
Our oil and gas business accounted for 34.0% of our revenue in the 18 months ended 31 December 2011, compared to 28.6% in the year ended 30 June 2010. Revenue for our oil and gas business was RM834.2 million in the 18 months ended 31 December 2011, 44.3% higher (on an annualised basis) than the RM385.4 million recorded for the year ended 30 June 2010, primarily as a result of an increase in man-hours billed and a significant amount of revenue from reimbursement of procurement expenses, both of which were primarily due to the commencement of work on the Melaka LNG Regas Unit in January 2011. To a lesser extent, higher rates per man-hour billed also contributed to the increase in revenue.

Power
Our power business accounted for 18.8% of our revenue in the 18 months ended 31 December 2011, compared to 16.9% in the year ended 30 June 2010. Revenue for our power business was RM462.2 million in the 18 months ended 31 December 2011, 35.9% higher (on an annualised basis) than the RM226.8 million recorded for the year ended 30 June 2010. This increase was primarily the result of the achievement of combined-cycle COD by the RPII power plant in April 2011. As a result, energy payments relating to the RPII power plant contributed significantly to revenue for the 18 months ended 31 December 2011 but substantially less for the year ended 30 June 2010, as only 3 months of revenue generated from a single gas turbine operating in open-cycle configuration was recognised in that period.

Environment
Our environment business accounted for 46.9% of our revenue in the 18 months ended 31 December 2011, compared to 54.2% in the year ended 30 June 2010. Revenue for our environment business was RM1,150.8 million in the 18 months ended 31 December 2011, 5.2% higher (on an annualised basis) than the RM729.5 million recorded for the year ended 30 June 2010. This increase resulted both from an increase in the volume of water delivered in the State of Johor and an increase in water tariff rates applicable to those sales that took effect in November 2010, while revenue from water concessions in China and Thailand remained essentially constant from the year ended 30 June 2010 to the 18 months ended 31 December 2011 (on an annualised basis).

(b) Cost of sales

Our cost of sales for the 18 months ended 31 December 2011 was RM1,702.0 million, 23.8% higher (on an annualised basis) than the RM916.3 million recorded for the year ended 30 June 2010, primarily due to increases in cost of sales for all 3 of our businesses.

Oil and gas
Cost of sales for our oil and gas business was RM560.8 million in the 18 months ended 31 December 2011, accounting for 32.9% of our cost of sales. Cost of sales for our oil and gas business increased 57.6% in the 18 months ended 31 December 2011 (on an annualised basis) from RM237.3 million in year ended 30 June 2010, primarily as a result of substantial increases in the number of employees and in procurement expenses, both of which are related to the work on the Melaka LNG Regas Unit that commenced in January 2011. To a lesser extent, an increase in average hourly wages also contributed to the increase in cost of sales.

Power
Cost of sales for our power business was RM314.6 million in the 18 months ended 31 December 2011, accounting for 18.5% of our cost of sales. Cost of sales for our power business increased 57.1% in the 18 months ended 31 December 2011 (on an annualised basis) from RM133.5 million in the year ended 30 June 2010, primarily as a result of an increase in fuel and O&M costs resulting from the commencement of combined-cycle operations at the RPII power plant in April 2011.

Environment
Cost of sales for our environment business was RM818.4 million in the 18 months ended 31 December 2011, accounting for 48.1% of our cost of sales. Cost of sales for our environment business increased 1.1% in the 18 months ended 31 December 2011 (on an annualised basis) from RM539.6 million in the year ended 30 June 2010, primarily as a result of an increase in the volume of water purchased and an increase in the level of lease payments to PAAB that took effect in September 2010 following the Migration. To a lesser extent, a scheduled increase in the per-unit cost of treated water purchased from our bulk water suppliers also contributed to the increase in cost of sales.

(c) **Gross profit and gross margin**

Our gross profit for the 18 months ended 31 December 2011 was RM752.1 million, 16.6% higher (on an annualised basis) than our gross profit of RM430.0 million for the year ended 30 June 2010. Our gross margin decreased to 30.6% in the 18 months ended 31 December 2011 from 31.9% in the year ended 30 June 2010.

Oil and gas
Gross profit for our oil and gas business was RM273.4 million in the 18 months ended 31 December 2011, 23.1% higher (on an annualised basis) than RM148.1 million recorded for the year ended 30 June 2010. Our gross margin for our oil and gas business decreased from 38.4% for the year ended 30 June 2010 to 32.8% for the 18 months ended 31 December 2011, primarily due to the fact that a significant proportion of revenue from the Melaka LNG Regas Unit consisted of revenue in respect of procurement expenses, which typically are passed through with lower margins.

Power
Gross profit for our power business was RM147.6 million in the 18 months ended 31 December 2011, 5.5% higher (on an annualised basis) than RM93.3 million recorded for the year ended 30 June 2010. Our gross margin for our power business decreased from 41.1% for the year ended 30 June 2010 to 31.9% for the 18 months ended 31 December 2011, primarily due to the commencement of combined-cycle operations at the RPII power plant and the different accounting treatment between RPI and RPII. The entire capacity payments in respect of the RPI power plant is accounted for as revenue, consistent with operating lease accounting for that power plant. In contrast, a significant portion of the capacity payments in respect of the RPII power plant is accounted for as finance lease income rather than as revenue, consistent with finance lease accounting for that power plant; refer to Section 10.4.3(ii)(a) of this Prospectus.

As a result, our operations in respect of the RPII power plant resulted in a lower gross margin than those of the RPI power plant, as the percentage increase in cost of sales of the RPII power plant was not compensated by an equal percentage increase in revenue, due to the recognition of a portion of the capacity payments as finance lease income. Accordingly, because RPII revenues accounted for a greater percentage of total power business revenues in the 18 months ended 31 December 2011, this resulted in a decrease in our power business gross margin compared with the year ended 30 June 2010.

Environment
Gross profit for our environment business was RM332.4 million in the 18 months ended 31 December 2011, 16.7% higher (on an annualised basis) than RM189.9 million recorded for the year ended 30 June 2010. Our gross margin for our environment business increased from 26.0% for the year ended 30 June 2010 to 28.9% for the 18 months ended 31 December 2011, primarily because the increase in water tariff rates that took effect in November 2010 had offset the increase in lease rental payments that took effect in September 2010 following the Migration.

(d) Interest income

Our interest income was RM67.3 million in the 18 months ended 31 December 2011, compared to RM13.2 million in the year ended 30 June 2010, mainly due to higher finance lease income in respect of the RPII power plant following the commencement of combined-cycle operations at the RPII power plant in April 2011. Due to this factor, RM39.6 million of the capacity payments in respect of the RPII power plant were accounted for as finance lease income in the 18 months ended 31 December 2011, compared to zero in the year ended 30 June 2010. To a lesser extent, the increase in interest income resulted from an increase in interest on fixed deposits contributed by the power business.

(e) Other income

Our other income was RM14.8 million in the 18 months ended 31 December 2011, compared to RM1,420.5 million in the year ended 30 June 2010. Other income in the year ended 30 June 2010 reflected primarily a non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB in connection with the Migration. Without regard to this unusual item, other income decreased from RM50.4 million in the year ended 30 June 2010 to RM23.8 million in the 18 months ended 31 December 2011 because in the year ended 30 June 2010, we reversed a RM19.4 million in interest accrued on late payment to a trade creditor. To a lesser extent, the decrease in other income in the environment business resulted from reversal on interest accrued on loan transferred to PAAB due to the Migration in the environment business, which amounted to RM11.0 million in the year ended 30 June 2010, as compared to zero in the 18 months ended 31 December 2011.

(f) Administrative expenses

Our administrative expenses were RM362.1 million in the 18 months ended 31 December 2011, 21.7% higher (on an annualised basis) than the RM198.3 million incurred in the year ended 30 June 2010. This increase in administrative expenses is primarily due to increases in software leasing expenses, office rental expenses and employee benefits expenses incurred by our oil and gas business.

(g) Other operating expenses

Our other operating expenses were RM3.3 million in the 18 months ended 31 December 2011, 46.7% higher (on an annualised basis) than the RM1.5 million recorded in the year ended 30 June 2010. The increase mainly reflected an increase in payments made to Akaun Amanah Industri Bekalan Elektrik (the Malaysian Electricity Supply Industries Trust Account).

(h) Tendering and marketing expenses

Our tendering and marketing expenses were RM4.0 million in both the 18 months ended 31 December 2011 and the year ended 30 June 2010, which represents a 33.3% decline on an annualised basis. The decrease mainly reflected lower business development and travelling expenses incurred in our environment business.

(i) Finance costs

Our finance costs were RM115.1 million in the 18 months ended 31 December 2011, 12.9% lower (on an annualised basis) than the RM88.1 million recorded for the year ended 30 June 2010. This decrease resulted from the transfer of liabilities associated with water-related assets to PAAB in September 2009 as part of the Migration, as a result of which interest expense on those liabilities contributed RM25.5 million to our finance costs in the year ended 30 June 2010, compared to zero in the 18 months ended 31 December 2011. The effect of this event was partially offset, however, by the fact that we capitalised interest charges relating to the RPII power plant until it commenced combined-cycle operations in April 2011, at which time we started to account for those interest charges as expenses.

(j) Zakat

Our zakat expenses were RM3.3 million in the 18 months ended 31 December 2011 compared to zero in the year ended 30 June 2010.

(k) Share of results of associates

Our share of results of associates was a loss of RM9.1 million in the 18 months ended 31 December 2011 compared to a profit of RM0.9 million in the year ended 30 June 2010. This change mainly reflected our share of loss in our associates, Haldia Water and RBSB of RM5.7 million and RM3.4 million, respectively, in the 18 months ended 31 December 2011.

(l) PBT

As a result of the factors discussed above, our PBT for the 18 months ended 31 December 2011 was RM337.3 million, compared to RM1,572.7 million for the year ended 30 June 2010. PBT for the year ended 30 June 2010 was strongly influenced by the RM1,370.1 million non-taxable effect arising from the transfer of water-related assets to PAAB in connection with the Migration, as discussed in Section 10.4.5(iii)(e) above. Our PBT margin decreased to 13.7% for the 18 months ended 31 December 2011, compared to a margin of 15.0% for the year ended 30 June 2010 (excluding the non-taxable effect discussed above).

(m) Income tax expense

Our income tax expenses were RM35.4 million for the 18 months ended 31 December 2011, 47.4% lower (on an annualised basis) than the RM44.9 million recorded for the year ended 30 June 2010, primarily due to a tax benefit of RM44.8 million recognised by RPII in the 18 months ended 31 December 2011. As noted above, when the RPII power plant commenced combined-cycle operations in April 2011, we recognised deferred tax assets relating to carried forward unused capital allowances and investment allowances to the extent that we determined it was probable that there would be future profits against which such allowances can be offset. As a result of the recognition of these deferred tax assets, our effective tax rate was 10.5% for the 18 months ended 31 December 2011, compared to 2.9% for the year ended 30 June 2010. Our effective tax rate for the year ended 30 June 2010 was strongly influenced by the RM1,370.1 million non-taxable effect arising from the transfer of water-related assets to PAAB in connection with the Migration, which was non-taxable.

For the 18 months ended 31 December 2011, the difference between our effective tax rate of 10.5% and the Malaysian statutory tax rate of 25% was primarily due to utilisation of that year's investment allowance of RM96.3 million, which was partially offset by deferred tax not recognised of RM39.2 million and expenses not deductible for tax purposes of RM26.0 million. For the year ended 30 June 2010, the difference between our effective tax rate of 2.9% and the Malaysian statutory tax rate of 25% was primarily due to the non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB, as discussed above, which was non-taxable, as well as deferred tax recognised of RM6.3 million and over-provisioning of income tax in prior years of RM5.4 million, which were offset in part by non-deductible expenses of RM14.1 million and under provision of deferred tax in prior year of RM2.8 million. For further information, refer to Notes 5.4.12 and 5.4.21 to the Accountants' Report set out in Section 11 of this Prospectus.

(n) PAT

As a result of the factors discussed above, our PAT was RM301.9 million for the 18 months ended 31 December 2011, compared to RM1,527.8 million for the year ended 30 June 2010. Without regard to the non-taxable effect of RM1,370.1 million arising from the transfer of water-related assets to PAAB, our PAT for the year ended 30 June 2010 was RM157.7 million. Our PAT margin increased to 12.3% for the 18 months ended 31 December 2011 from 11.7% for the year ended 30 June 2010 (excluding the unusual non-taxable effect arising from the transfer of water-related assets to PAAB).

10.4.6 Liquidity and capital resources

(i) Working Capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions. Following our Listing, we expect to use the same principal sources of liquidity. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 31 December 2012, we had cash and cash equivalents of RM218.4 million and total borrowings of RM1,927.4 million. Our working capital, calculated as current assets minus current liabilities, was RM1,523.6 million as at 31 December 2012. In addition, as at the LPD, we had entered into agreements for further credit facilities, namely unsecured bank guarantee facilities of up to RM10.0 million for our working capital. Our cash and cash equivalents, total borrowings and working capital, as at 31 December 2012, are based on our combined statement of financial position as at 31 December 2012.

Taking into consideration our funding requirements for our committed capital expenditure, expected cash flows from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board believes that we will have adequate working capital for at least 12 months from the date of this Prospectus.

(ii) Cash Flows

The following table sets forth a summary of our cash flows as of the dates indicated:

	Years ended 30 June 2010	18 months ended 31 December 2011	Year ended 31 December 2012
		(RM in millions)	
Net cash generated from operating activities	103.3	373.1	419.5
Net cash (used in)/generated from investing activities	520.5	153.8	(81.2)
Net cash (used in)/generated from financing activities	(692.0)	(523.3)	(331.8)
Net increase/(decrease) in cash and cash equivalents	(68.2)	3.6	6.5
Effect of foreign exchange rates	(6.3)	(2.6)	(0.9)
Cash and cash equivalents at beginning of year/period	286.3	211.8	212.8
Cash and cash equivalents at end of year/period	211.8	212.8	218.4

Most of our cash and cash equivalents are held in RM. Save as disclosed in Section 10.8 of this Prospectus, our Board is of the opinion that there are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company, in the form of cash dividends, loans or advances, subject to availability of distributable reserves and/or loans or advances to meet the cash obligations of our Company.

Net cash generated from operating activities

Net cash generated from operating activities for the year ended 31 December 2012 was RM419.5 million, comprising cash receipts from customers of RM2,003.9 million and cash paid to suppliers and employees of RM1,549.8 million, and taxes paid of RM34.5 million.

Net cash generated from operating activities in the 18 months ended 31 December 2011 was RM373.1 million, comprising cash receipts from customers of RM2,498.9 million and cash paid to suppliers and employees of RM2,096.8 million, as well as taxes paid of RM29.0 million.

Net cash generated from operating activities in the year ended 30 June 2010 was RM103.3 million, comprising cash receipts from customers of RM1,194.9 million and cash paid to suppliers and employees of RM1,064.1 million, as well as taxes paid of RM27.5 million.

Net cash used in or generated from investing activities

Net cash used in investing activities for the the year ended 31 December 2012 was RM81.2 million, consisting primarily of Investment in Islamic managed funds of RM43.5 million, purchases of property, plant and equipment of RM48.1 million and additional investment in associate RM0.7 million, offset in part by receipts including interest income from fixed deposits of RM10.0 million.

Net cash generated from investing activities for the 18 months ended 31 December 2011 was RM153.8 million, consisting primarily of RM177.1 million of proceeds from the realisation of water-related assets to PAAB and RM74.8 million of proceeds from the partial disposal of an investment in a subsidiary, which were offset in part by payments including RM69.7 million in construction costs incurred and RM54.5 million in purchases of property, plant and equipment.

Net cash generated from investing activities for the year ended 30 June 2010 was RM520.5 million, consisting primarily of RM937.1 million of proceeds from the realisation of water-related assets to PAAB, which was offset in part by payments including RM391.6 million in construction costs incurred.

Net cash used in or generated from financing activities

Net cash used in financing activities for the year ended 31 December 2012 was RM331.8 million. Net cash used in financing activities consisted primarily of finance lease payments of RM0.7 million, dividends of RM146.5 million paid to RB and non-controlling entities, RM66.6 million net advances to RB, related parties and jointly controlled entity, repayment of term loans of RM67.0 million and interest paid of RM83.2 million, which were offset in part by drawdown of borrowings of RM34.2 million.

Net cash used in financing activities for the 18 months ended 31 December 2011 was RM523.3 million. Net cash used in financing activities consisted primarily of RM1,089.0 million of net advances to RB, RM198.9 million of dividends paid to RB and RM114.6 million of restricted cash, which were offset in part by RM997.2 million of drawdown of borrowings.

Net cash used in financing activities for the year ended 30 June 2010 was RM692.0 million. Net cash used in financing activities consisted primarily of RM944.7 million of dividends paid to RB, RM59.0 million of restricted cash and RM73.4 million of interest paid, which were offset in part by RM465.5 million of drawdown of borrowings.

(iii) Borrowings

Our total outstanding borrowings, all of which are interest-bearing, as at 31 December 2012 is as follows:

	Interest rate term (per annum)	As at 31 December 2012 (RM in millions)
Short-term borrowings		
Secured		
- Term loans	Variable rate ranging from 4.85% to 8.00%	2.9
- IMTN	Fixed rate of 7.00%	55.0
- Bank overdrafts	Variable rate ranging from 6.50% to 8.10%	1.9
- Bankers' acceptances	Variable rate ranging from 3.26% to 4.13%	2.3
- Sukuk	Fixed rate of 7.62%	2.2
- Musharakah medium term notes	Fixed rate of 6.30%	8.0
- Obligation under finance lease	Fixed rate of 6.96%	0*
		72.3
Long-term borrowings		
Secured		
- Term loans	Variable rate ranging from 4.85% to 8.00%	52.3
- IMTN	Fixed rate of 7.00%	324.2
- Musharakah medium term notes	Fixed rate of 6.30%	700.0
- Sukuk	Fixed rate of 7.62%	767.9
- Obligation under finance lease	Fixed rate of 6.96%	0.2
Unsecured		
- Convertible unsecured loan stocks	Fixed rate of 12.50%	10.5
		1,855.1
Total borrowings		1,927.4
Gearing ratio (times)(1)		1.6

Notes:

* *Negligible*

(1) *The gearing ratio is calculated by dividing total borrowings by total shareholders' funds.*

As at 31 December 2012, our outstanding borrowings are denominated primarily in RM. The table below sets forth, as at 31 December 2012, our outstanding borrowings by the currency in which they are denominated:

	As at 31 December 2012	
	(in millions)	**(RM in millions)**
RM		1,872.0
THB	THB502.6	4.1 [(1)]
RMB	RMB3.0	51.3 [(2)]
USD	*	0 [(3)]
Total		1,927.4

Notes:

* *Denotes USD0.012 million.*

(1) *Based on exchange rate of RM10.010/THB100 as at 31 December 2012.*

(2) *Based on exchange rate of RM0.491/RMB1 as at 31 December 2012.*

(3) *Denotes RM0.037 million, converted based on exchange rate of RM3.063/USD1 as at 31 December 2012.*

As at 31 December 2012, our loans and advances from related parties were denominated in RM and such loans and advances amount to RM39.3. million.

Our loans and advances from related parties are repayable on demand and are interest free. Proceeds from the loans and advances were used primarily in connection with non-trade transactions (such as payments made on behalf of related parties).

There has been no default on payments of either interest or principal for any of our borrowings in the year ended 31 December 2012. We are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations, or the investment by holders of our securities.

The maturity profile of our borrowings as of the dates indicated is as follows:

	As at June 2010	As at 31 December 2011	As at 31 December 2012
		(RM in millions)	
Within 1 year	84.0	65.1	72.3
1 to 2 years	58.6	65.1	85.9
2 to 5 years	218.9	342.2	407.8
More than 5 years	629.5	1,484.9	1,361.4
Total	981.0	1,957.3	1,927.4

The table below sets forth the interest rate profile of our borrowings as at 31 December 2012:

	As at 31 December 2012 (RM in millions)
Fixed rate	1,868.0
Floating rate	59.4
Total	1,927.4

(iv) **Capital expenditures**

We incurred capital expenditures of RM45.0 million, RM172.1 million and RM430.6 million for the year ended 31 December 2012, 18 months ended 31 December 2011 and the year ended 30 June 2010, respectively.

Our major capital expenditures for the periods indicated were as follows:

	Year ended 30 June 2010	18 months ended 31 December 2011	Year ended 31 December 2012
		(RM in millions)	
Environment			
RUSB	0.9	0.5	0.0
SAJH	15.8	39.0	31.5
RWSB	0.3	1.9	1.6
RWT (Cayman)	0.2	0.9	0.3
	17.2	42.3	33.4
Oil and gas			
RWorley	2.6	15.8	2.1
	2.6	15.8	2.1
Power			
RPI	0.5	6.6	9.3
RPII	410.3	107.4	0.2
	410.8	114.0	9.5
Total	430.6	172.1	45.0

The majority of our capital expenditures during the past 3 years have primarily been related to the construction of the RPII power plant.

Our planned capital expenditures for the year ending 31 December 2013 are RM44.2 million, which we intend to use principally for purchasing technical equipment for our environment business, i.e. purchasing of new meters, replacement of old meters, upgrading computer equipment and office equipment, replacing company vehicle that are more than 10 years old and economic repairs.

Our actual capital expenditures may vary from projected amounts due to various factors, including changes in market conditions, unplanned cost overruns, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our products and services, the need to make additional investments to meet required service levels, the Government's policies regarding the industries in which we operate and the state of the Malaysian and the global economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

We expect to meet our capital expenditure requirements through our cash and cash equivalents on hand, cash generated from operations and financing activities, including the proceeds from our IPO. Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and global economy and the markets for our products, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

(v) Material divestitures

Save as disclosed below, there have not been any material divestitures undertaken by us for the year ended 30 June 2010, 18 months ended 31 December 2011 and year ended 31 December 2012 and up to the LPD:

(a) The transfer of SAJH's water assets and corresponding liabilities at book value to PAAB pursuant to the Migration, amounting to RM937,124,968 and RM177,142,644 during the year ended 30 June 2010 and 18 months ended 31 December 2011, respectively;

(b) Disposal by RPSB of its 20% equity interest in the ordinary and redeemable convertible non-cumulative preference shares in RPII to SECSB for a total consideration of RM73,000,000 during the year ended 30 June 2010; and

(c) Disposal by RUSB of its 20% equity interest in SAJH to the State Government of Johor, with effect from 1 March 2010, pursuant to the Master Agreement. As at the LPD, the sale and purchase agreement in relation the said disposal has not been entered into by RUSB and the State Government of Johor. Thus, RUSB is still the registered owner of the entire issued and paid-up capital of SAJH although the beneficial ownership of 20% of the issued and paid-up share capital in SAJH is deemed transferred to the State Government of Johor.

As at the LPD, save for item (c), we do not have any uncompleted material divestitures.

(vi) Material commitments

We had material commitments for capital expenditures of RM0.3 million as at 31 December 2012. These commitments consisted of the following:

	As at 31 December 2012 (RM in millions)
Property, plant and equipment	
Commitments approved and contracted for	-
Commitments approved and not contracted for	0.3
Total	0.3

The majority of our material capital commitments as at 31 December 2012 were related to fixed assets such as plant and machinery, office equipment, furniture and fittings, computers, workshop tools and motor vehicles. Except as disclosed above, as at 31 December 2012, we are not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position. We expect to meet our material commitments through our cash and cash equivalents on hand, cash generated from future operations and financing activities.

(vii) Key financial ratios

Our key financial ratios based on our combined financial information as at the dates indicated are as follows:

	As at 31 December 2012	As at 31 December 2011	As at 30 June 2010
Trade receivables (RM million)[(1)]	305.8	224.3	204.2
Trade receivables turnover period (days)[(2)]	48.7	47.8	58.9
Trade payables (RM million)[(3)]	137.4	140.3	130.2
Trade payables turnover period (days)[(4)]	36.3	43.5	40.9
Inventory (RM million)[(5)]	58.9	52.2	27.8
Inventory turnover period (days)[(6)]	14.5	12.7	8.7
Current ratio (times) [(7)]	3.1	3.5	1.3
Gearing ratio (times) [(8)]	1.6	1.7	0.9

Notes:

(1) *Trade receivables reflect outstanding amount receivable from customers for sale of goods and services, after impairment of trade receivables.*

(2) *Average of trade receivables as at the beginning and end of the period multiplied by 365 days over total revenue.*

(3) *Trade payables reflect outstanding amount payable to suppliers and vendors for purchase of goods and services.*

(4) *Average of trade payables as at the beginning and end of the period multiplied by 365 days over total cost of sales.*

(5) *Inventory reflects finished products, work in progress and raw materials.*

(6) *Average of inventory as at the beginning and end of the period multiplied by 365 days over purchases. Purchases reflect inventory closing balance less inventory opening balance plus cost of sales.*

(7) *Current assets over current liabilities.*

(8) *Calculated by dividing total indebtedness by shareholders' funds.*

Trade receivables turnover period

Our normal credit period given to our trade debtors generally ranges up to 120 days. Our trade receivables turnover period was 58.9 days in the year ended 30 June 2010, 47.8 days in the 18 months ended 31 December 2011 and 48.7 days in the year ended 31 December 2012, falling within the normal credit period given to our trade debtors. The trade receivable turnover period in the 18 months ended 31 December 2011 improved as compared to the trade receivable turnover period in the year ended 30 June 2010.

The aging analysis for our trade receivables as at 31 December 2012 is as follows:

Past Due	**Trade receivables** (1)	**% of total trade receivables** (1)
	(RM in millions, except percentages)	
Current	145.9	47.7
1 to 30 days	50.2	16.4
31 to 60 days	21.2	6.9
61 to 90 days	38.8	12.7
91 to 120 days	13.2	4.3
121 to 150 days	15.5	5.1
151 to 180 days	10.8	3.5
181 to 365 days	9.0	3.0
More than one year	1.2	0.4
Total	**305.8**	**100.0**

Note:

(1) *After impairment of trade receivables.*

For the period from 31 December 2012 up to the LPD, the payments which have been received from the trade debtors is as follows:

Past Due	**Trade receivable payment received**
	(RM in millions)
Current	93.7
1 to 30 days	40.2
31 to 60 days	17.2
61 to 90 days	9.8
91 to 120 days	1.8
121 to 150 days	2.0
151 to 180 days	10.8
181 to 365 days	4.9
More than one year	0.2
Total	**180.6**

Trade payables turnover period

Our normal credit period given by our trade creditors generally ranges up to 90 days depending on the product or service. Our trade payables trade payables primarily consist of subcontractor fees, contract cost accruals and retention sums payable to contractors.

Our trade payables turnover period was 40.9 days the year ended 30 June 2010, 43.5 days in the 18 months ended 31 December 2011 and 36.3 days in the year ended 31 December 2012. The trade payables turnover period is within the normal credit period given by trade creditors.

We manage the disparity between our trade receivables and trade payables by using short-term financing, including bankers' acceptances and revolving credits, thus our trade payables should be reviewed together with our current liabilities (excluding current portion of long-term debt).

The aging analysis for our trade payables as at 31 December 2012 is as follows:

Past Due	Trade payables	% of total trade payables
	(RM in millions, except percentages)	
Current	76.5	55.7
1 to 30 days	3.7	2.7
31 to 60 days	2.1	1.5
61 to 90 days	0.9	0.7
91 to 120 days	42.5	30.9
121 to 150 days	0.1	0.1
151 to 180 days	0.1	0.0
181 to 365 days	0.3	0.2
More than one year	11.2	8.2
Total	137.4	100.0

For the period from 31 December 2012 up to the LPD, the payments which have been made to the trade creditors are as follows:

Past Due	Trade payable payment made (RM in millions)
Current	62.7
1 to 30 days	2.3
31 to 60 days	0.7
61 to 90 days	0.8
91 to 120 days	0.7
121 to 150 days	0.1
151 to 180 days	0.0
181 to 365 days	0.0
More than one year	0.3
Total	**67.6**

Inventory turnover period
Our inventory mainly comprised of consumables, spares and raw materials in our power and environment businesses. Our inventory turnover period was 8.7 days the year ended 30 June 2010, 12.7 days in the 18 months ended 31 December 2011 and 14.5 days in the year ended 31 December 2012. Our inventory turnover period typically is very short, as most of our inventories are spare parts and consumables for our power plants.

Current ratio
Our current ratio was 1.3 times as at 30 June 2010, 3.5 times as at 31 December 2011 and 3.1 times as at 31 December 2012. The substantial increase in the current ratio as at 31 December 2011 and 2012 as compared to 30 June 2010 was due to the fact that we on-lent the proceeds of the Sukuk to RB, resulting in a corresponding increase in our current assets, while our liability with respect to the Sukuk is classified under non-current liabilities.

Gearing ratio
Our gearing ratio was 0.9 times as at 30 June 2010, 1.7 times as at 31 December 2011 and 1.6 times as at 31 December 2012. The substantial increase in gearing ratio as at 31 December 2011 and 2012 as compared to the earlier years was due to the drawdown of the Sukuk.

(viii) Contingent liabilities and material litigation / arbitration proceedings

The following table sets forth our contingent liabilities as of the dates indicated:

	As at 30 June 2010	As at 31 December 2011	As at 31 December 2012
		(RM in millions)	
Performance guarantee given for execution of contracts	19.9	13.5	14.8
Bank guarantee facilities given to third parties	43.7	57.3	42.7
Total	63.6	70.8	57.5

As at the LPD, except as set forth above, our Board is not aware of any contingent liabilities that, upon becoming enforceable, or any pending material litigation or arbitration proceeding that, may have a material adverse impact on our results of operations or financial condition.

(ix) Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future material effect on results of operations or our financial condition.

10.4.7 Financial risk management

We are exposed to certain financial risks that arise in our normal course of business. The objective of our financial risk management is to minimise potential adverse effects from the unpredictability of financial markets on our financial performance. We use relevant financial instruments to hedge our exposure to such risk, such as foreign currency forward contracts.

Our Board has overall responsibility for the oversight of financial risk management, including the identification of operational and strategic risk, and subsequent action plans to manage these risks. Our management is responsible for identifying, monitoring and managing our risk exposures.

Our key financial risks are as follows:

(i) Foreign currency risk

In our environment business foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the NA of the business's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The business maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property and investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

In our oil and gas business, we use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after entering into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item and only applied when there is a firm commitment in place.

As at 31 December 2012, trade receivables and trade payables of our oil and gas business that are denominated in foreign currencies, principally the USD, amounted to RM17.3 million and RM0.3 million, respectively. It is our policy in our oil and gas business to use forward currency contracts to eliminate currency exposures on any individual transactions for which payment is expected more than one month after we have entered into a firm commitment for a sale or purchase.

We do not have material exposure to foreign currency risk in our power business.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings. Our policy is to manage interest cost using a mix of fixed and floating rate instruments. For further information concerning our interest rate risk, refer to Note 5.4.44(c) to the Accountants' Report set out in Section 11 of this Prospectus.

(iii) Credit risk

Our oil and gas business and our power business have significant concentrations of credit risk. In our oil and gas business, as at 31 December 2012, outstanding balances due from 4 customers accounted for 97.0% of total trade receivables. In our power business, we have only one customer, which accounts for all of our trade receivables. Our objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure, and accordingly we seek to trade only with recognised and creditworthy third parties, and we monitor receivable balances on an ongoing basis. For further information, refer to Note 5.4.44(a) to the Accountants' Report set out in Section 11 of this Prospectus.

(iv) Liquidity risk

Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

(v) Capital risk

Our primary objective when managing capital is to ensure that we maintain healthy capital ratios to support our business and maximise shareholder value. We monitor our capital structure and make adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to our shareholders, return capital to shareholders or issue new shares. For further information concerning our capital management, refer to Note 5.4.45 to the Accountants' Report set out in Section 11 of this Prospectus.

10.4.8 Treasury objectives

Our treasury objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities by maintaining adequate liquidity and credit facilities.

We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles. Our liquidity and funding plans are designed to meet our funding requirements under normal and stress scenarios, which include primarily purchases of raw materials, payroll, interest and principal payments on outstanding borrowings, dividends, and general obligations such as operating expenses, collateral deposits held or collateral posted to counterparties. We have historically relied on cash generated from our business operations and external unsecured and secured sources, including credit extended by our suppliers, bankers' acceptances, term loans, revolving credits and other borrowings from financial institutions. Our funding objective is to obtain the most suitable type of financing and favourable cost of funding as our financing needs arise.

In our oil and gas business, we seek to hedge the foreign currency exchange rate risk inherent in contracts denominated in currencies other than RM using forward contracts on a contract-by-contract basis.

10.4.9 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the period presented. However, inflation may affect our financial performance by increasing certain of our operating expenses denominated in RM, including expenses relating to labour costs, selling and distribution expenses and administrative expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased selling prices of our products and/or increased Government subsidies.

10.4.10 Government/economic/fiscal/monetary policies

Except as disclosed in Sections 5 and 8 of this Prospectus, there are no material government/economic/fiscal/monetary policies required to be described in this Prospectus.

10.4.11 Order book

The details of our order book as at the LPD are as follows[1][2]:

Nature	Revenue to be recognised for the years ending 31 December 2013	2014	2015	Total
	(RM in millions)			
Oil and gas				
EPCM	46.5	35.2	-	81.7
Engineering	75.8	3.6	-	79.4
				161.1
Environment				
NRW	24.1	18.2	3.6	45.9
EPCIC and O&M	1.5	0.4	0.5	2.4
EPC	51.9	26.1	-	78.0
BOT	33.2	18.0	5.0	56.2
Supply of wastewater treatment plant and commissioning	9.9	0.5	-	10.4
				192.9
Total				**354.0**

Notes:

(1) *Our power business does not have an order book.*

(2) *Including, for this purpose, 100% of RWT (Cayman)'s order book.*

10.4.12 Prospects

The results of our operations and financial condition for the year ending 31 December 2013 are expected to be primarily influenced by the following factors, in addition to the factors included in Section 5 of this Prospectus:

(i) our ability to maintain our market share and grow our revenue;

(ii) the condition of the Malaysian and global economy and expectations of economic recovery; and

(iii) our ability to manage our operating costs.

Except as disclosed above and in Section 5 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations, and our Board expects our performance for the year ending 31 December 2013 to be satisfactory.

10.5 Capitalisation and indebtedness

The information in this table should be read in conjunction with the Accountants' Report together with its accompany notes as set out in Section 11 of this Prospectus, as well as our pro forma consolidated financial information as set out in Section 10.6 of this Prospectus. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 December 2012 and is provided for illustrative purposes only. The total indebtedness of our Group is not guaranteed by any third party.

	Audited* As at 31 December 2012 (RM'000)	Proforma After our IPO and Listing (RM'000)
Cash and cash equivalents[1]	218,436	280,954
Indebtedness		
Short term debt		
Secured		
- Term loans	2,858	5,485
- IMTN	55,038	55,038[4]
- Bank overdrafts	1,907	3,660
- Bankers' acceptances	2,342	4,496
- Obligation under finance lease	43	43
- Sukuk	2,163	-
- Musharakah medium term notes	7,970	7,970
	72,321	76,692
Long term debt		
Secured		
- Term loans	52,268	100,328
- IMTN	324,203	-
- Musharakah medium term notes	699,979	699,979
- Sukuk	767,920	727,584
- Obligation under finance lease	188	188
Unsecured		
- Convertible unsecured loan stocks	10,540	10,540
	1,855,098	1,538,619
Total indebtedness[2]	1,927,419	1,615,311
Total shareholders' funds	1,194,492	912,827
Non-controlling interest	640,935	333,118
Total capitalisation	1,835,427	1,245,945
Total capitalisation and indebtedness	3,762,846	2,861,256
Gearing ratio (times)[3]	1.61	1.77[5]

Notes:

* *Based on Combined Financial Statements.*

(1) *Cash and cash equivalents include deposits, cash and bank balances less bank overdrafts and restricted deposit.*

(2) *Total indebtedness includes short-term debts and long-term debts.*

(3) *Computed based on total indebtedness over total shareholders' funds of our Group.*

(4) *Such amount which falls due on 27 June 2013 will be repaid using our internally generated funds.*

(5) *Our pro forma gearing ratio is higher than our gearing ratio based on the Combined Financial Statements mainly due to the lower pro forma shareholders' funds resulting from the merger deficit, being the difference between the consideration paid/transferred and the equity acquired in respect of the transactions pursuant to the Internal Reorganisation and Acquisition of RWP as defined in Section 6.1.2 of this Prospectus. The impact of the merger deficit is not reflected in the Combined Financial Statements as it does not take into account of such transactions.*

10.6 Reporting Accountants' letter on the pro forma consolidated financial information

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PROFORMA FINANCIAL INFORMATION
(Prepared for inclusion in the Prospectus to be dated 4 July 2013)

The Board of Directors
Ranhill Energy and Resources Berhad
Level 15, Wisma Perkeso
155 Jalan Tun Razak
50400 Kuala Lumpur

14 June 2013

Dear Sirs

PROFORMA FINANCIAL INFORMATION
INITIAL PUBLIC OFFERING OF UP TO 407,000,000 ORDINARY SHARES OF RM1.00 EACH IN RANHILL ENERGY AND RESOURCES BERHAD ("RANHILL") IN CONJUNCTION WITH THE LISTING AND QUOTATION FOR THE ENTIRE 961,766,000 ORDINARY SHARES OF RM1.00 EACH IN RANHILL ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("LISTING") COMPRISING AN OFFER FOR SALE OF UP TO 77,000,000 EXISTING SHARES AND A PUBLIC ISSUE OF 330,000,000 NEW SHARES

We have completed our assurance engagement to report on the compilation of proforma financial information of Ranhill and its subsidiaries ("Ranhill Group" or "Group") prepared by the Directors of Ranhill. The proforma financial information consists of the proforma consolidated statements of financial position as at 31 December 2012, the proforma consolidated statements of comprehensive income for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010, the proforma consolidated statement of cash flow for the year ended 31 December 2012 and the related notes as set out in Appendix 1 of Section 10.6 of the Prospectus issued by Ranhill.

The proforma financial information is compiled by the Directors of Ranhill based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission Malaysia and the notes set out in Appendix 1 of Section 10.6 of the Prospectus issued by Ranhill.

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The proforma consolidated statements of financial position have been compiled by the Directors of Ranhill to illustrate the impact of the events or transactions as set out in Note 6 of Appendix 1 on the Group's financial position as at 31 December 2012.

For the purposes of the proforma consolidated statements of comprehensive income for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010 and the proforma consolidated statement of cash flow for the year ended 31 December 2012, Ranhill Group structure is assumed to have been in existence throughout the period under review.

As part of this process, information about the financial position, financial performance and cash flows has been extracted by the Directors of Ranhill from the relevant financial statements for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010, on which audit reports will be published upon the issuance of the Prospectus.

The Directors' Responsibility for the Proforma Financial Information

The Directors of Ranhill are responsible for compiling the proforma financial information on the basis of the applicable criteria.

Our responsibilities

Our responsibility is to express an opinion as required by the Securities Commission Malaysia, about whether the proforma financial information has been compiled, in all material respects, by the Directors of Ranhill on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of Ranhill have compiled, in all material respects, the proforma financial information on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma financial information.

The purpose of proforma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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A reasonable assurance engagement to report on whether the proforma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of Ranhill in the compilation of proforma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and

- The proforma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the proforma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma financial information.

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

Opinion

In our opinion:

(i) the proforma financial information of the Group, which have been prepared by the Directors of Ranhill, have been properly prepared on the basis of the notes set out in Appendix 1 of Section 10.6 of the Prospectus issued by Ranhill using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

(ii) each material adjustment made to the information used in the preparation of the proforma financial information is appropriate for the purposes of preparing the proforma financial information.

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Other matters

This letter is issued for the sole purpose of complying with the the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia in connection with the Listing. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Listing.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choo Kai
No. 2030/03/14(J)
Chartered Accountant

Appendix I

Proforma consolidated financial information

1. Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Bursa Securities	Bursa Malaysia Securities Berhad
IPO	Initial Public Offering
MFRS	Malaysian Financial Reporting Standards
Ranhill	Ranhill Energy and Resources Berhad
Ranhill Group	Ranhill and its subsidiaries
RB	Ranhill Berhad
RBSB	Ranhill Bersekutu Sdn Bhd
RBV	RB Ventures Sdn Bhd
RM	Ringgit Malaysia, the lawful currency of Malaysia
RPSB	Ranhill Power Sdn Bhd
RUSB	Ranhill Utilities Sdn Bhd
RWorley	Ranhill WorleyParsons Sdn Bhd
RWP	RanhillWP Sdn Bhd (formerly known as Ranhill WP Berhad)
RWT (Cayman)	Ranhill Water Technologies (Cayman) Limited
Sukuk	RM800million nominal value of Sukuk issued by RPSB

2. Introduction

Internal Reorganisation

(a) RB disposed of its entire 70% equity interest in RUSB, entire 51% equity interest in RWorley, entire 100% equity interest in RBV and 50% less one share of its 100% equity interest in RBSB to its wholly owned subsidiary, RPSB, for a total consideration of RM825,000,000 ("Acquisition by RPSB"). The consideration was satisfied by the setting off of RB's non trade amount due to RPSB and the remaining via deferred cash payment; and

(b) RB disposed of its 100% equity interest in RPSB to RWP, a newly incorporated company with common shareholders with RB for a total consideration of RM330,000,000, satisfied by the provision of a guarantee by RWP to RB to fully indemnify and hold RB harmless in respect of any claims received by RB from RUSB amounting to RM330,000,000 and whereby, upon RB's notice of any demand by RUSB, RWP shall pay RB the amount of the demand.

Proforma consolidated financial information (contd.)

2. Introduction (contd.)

Pre-IPO Reorganisation

(a) Incorporation of Ranhill on 17 August 2012 to acquire RWP for a total consideration of RM1,158,000,095, which was satisfied by the issuance of 492,765,998 ordinary shares of RM1.00 each in Ranhill ("Ranhill Shares") at the issue price of RM2.35 per Ranhill Share; and

(b) Acquisition of the remaining 30% equity interest in RUSB. The minority shareholders in RUSB and Ranhill entered into a conditional sale and purchase agreement for Ranhill to acquire the 30% equity interest in RUSB for a total consideration of RM326,650,000, which was satisfied by the issuance of 139,000,000 Ranhill Shares at the issue price of RM2.35 per Ranhill Share ("RUSB Acquisition").

Proposed RWT (Cayman) Acquisition

(a) Ranhill has entered into sale and purchase agreements ("SPAs") to acquire the remaining 47.9% of the issued and paid up share capital of RWT (Cayman) for a total consideration of RM104,000,000 ("Proposed RWT (Cayman) Acquisition").

Upon the completion of the Proposed RWT (Cayman) Acquisition, RWT (Cayman) will become a wholly owned subsidiary of Ranhill. It is the intention of Ranhill to utilise part of the IPO proceeds to satisfy the purchase consideration for the Proposed RWT (Cayman) Acquisition.

3. Listing scheme

The details of the listing scheme are as follows:

(a) an offer for sale of up to 77,000,000 existing Ranhill Shares and a public issue of 330,000,000 new Ranhill Shares at an IPO price of RM1.85 per share ("Public Issue") involving:

- institutional offering of up to 328,721,680 Ranhill Shares to Malaysian and foreign institutional and selected investors, including bumiputera investors approved by the Ministry of International Trade and Industry; and

- retail offering of 78,278,320 Ranhill Shares to eligible directors and employees of Ranhill Group, persons who have contributed to the success of Ranhill Group and the Malaysian public

(b) listing of and quotation for its enlarged paid up share capital of 961,766,000 Ranhill Shares on the Main Market of Bursa Securities.

Proforma consolidated financial information (contd.)

4. Basis of preparation

The proforma consolidated financial information consists of the following:

(a) The proforma consolidated statements of comprehensive income of Ranhill Group for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010;

(b) The proforma consolidated statements of financial position of Ranhill Group as at 31 December 2012; and

(c) The proforma consolidated statement of cash flows of Ranhill Group for the year ended 31 December 2012.

The proforma consolidated financial information has been prepared on the basis stated below using the financial statements prepared in accordance with the Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Ranhill Group.

For the purpose of the proforma financial consolidated statements of comprehensive income for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010 and the proforma consolidated statement of cash flows for the year ended 31 December 2012, Ranhill Group is assumed to have been in existence throughout the periods under review.

The proforma consolidated statements of financial position of Ranhill as at 31 December 2012 are prepared for illustrative purposes only to show the effects of the transactions, as described below, with the assumption that these transactions were completed on 31 December 2012.

The proforma consolidated financial information is not necessarily indicative of the financial position, results and cash flows of the operations of Ranhill Group that would have been attained had the Internal Reorganisation, Pre-IPO Reorganisation, Proposed RWT (Cayman) Acquisition and the Public Issue actually occurred at the respective dates. Accordingly, such information, because of its nature may not be reflective of Ranhill Group's actual financial position and does not purport to predict the future financial position of Ranhill Group.

The proforma consolidated financial information is presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Proforma consolidated financial information (contd.)

5. Proforma consolidated statements of comprehensive income

	Proforma 12 months ended 30.6.2010 RM'000	Proforma 18 months ended 31.12.2011 RM'000	Proforma 12 months ended 31.12.2012 RM'000
Revenue	1,374,843	2,505,439	2,043,603
Cost of sales	(935,960)	(1,740,883)	(1,440,145)
Gross profit	438,883	764,556	603,458
Other items of income			
Interest income	17,023	67,407	84,854
Other income	1,421,115	23,817	60,955
Other items of expense			
Administration expenses	(202,105)	(369,349)	(255,075)
Other operating expenses	(1,489)	(3,260)	(6,465)
Tendering and marketing expenses	(4,402)	(4,446)	(3,098)
Finance costs	(89,094)	(117,123)	(87,984)
Zakat	-	(3,336)	(1,968)
Share of results of associates	850	(9,071)	-
Profit before tax	1,580,781	349,195	394,677
Income tax expense	(45,222)	(36,072)	(108,929)
Profit after tax	1,535,559	313,123	285,748
Other comprehensive income:			
Foreign currency translation, representing other comprehensive income for the year/period, net of tax	(9,242)	(1,460)	(2,996)
Total comprehensive income for the year /period	1,526,317	311,663	282,752
Profit after tax attributable to:			
Owners of the parent	1,490,798	228,054	199,748
Minority interests	44,761	85,069	86,000
	1,535,559	313,123	285,748
Total comprehensive income attributable to:			
Owners of the parent	1,481,620	226,431	196,807
Minority interests	44,697	85,232	85,945
	1,526,317	311,663	282,752

Proforma consolidated financial information (contd.)

5. Proforma consolidated statements of comprehensive income (contd.)

5.1 Effect on the proforma consolidated statements of comprehensive income

In arriving at the proforma consolidated statements of comprehensive income for the years/period ended 31 December 2012, 31 December 2011 and 30 June 2010, the following key assumptions were made:

(a) Internal Reorganisation

It is assumed that the Internal Reorganisation had been completed on 1 July 2009.

(b) RUSB Acquisition and Proposed RWT (Cayman) Acquisition

It is assumed that the RUSB Acquisition and the Proposed RWT (Cayman) Acquisition had been completed on 1 July 2009. Accordingly, RUSB and RWT (Cayman) are assumed to be wholly owned subsidiaries of Ranhill Group for the respective years/period from 1 July 2009 onwards.

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Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position

	Audited 31.12.2012 RM'000	Adjustments RM'000	Proforma I RM'000	Adjustments RM'000	Proforma II RM'000	Adjustments RM'000	Proforma III RM'000
Assets							
Non-current assets							
Property, plant and equipment	-	616,709	616,709	4,680	621,389		621,389
Investment properties	-	375	375		375		375
Operating financial assets	-	152,360	152,360	140,093	292,453		292,453
Service concession assets	-	364,735	364,735		364,735		364,735
Intangible assets	-	328,446	328,446	19,383	347,829		347,829
Finance lease receivables	-	699,831	699,831		699,831		699,831
Deferred tax assets	-	338,858	338,858	354	339,212		339,212
Trade and other receivables	-	70,546	70,546	44	70,590		70,590
	-		2,571,860		2,736,414		2,736,414
Current assets							
Operating financial assets	-	5,359	5,359	4,927	10,286		10,286
Inventories	-	58,907	58,907	302	59,209		59,209
Finance lease receivables	-	30,430	30,430		30,430		30,430
Trade and other receivables	-	411,047	411,047	4,993	416,040		416,040
Tax recoverable	-	6,174	6,174	229	6,403		6,403
Other current assets	136	101,453	101,589	880	102,469		102,469
Other financial assets	-	43,554	43,554		43,554		43,554
Deposits, cash and bank balances	-	453,399	453,399	6,230	459,629	60,000	519,629
	136		1,110,459		1,128,020		1,188,020
Total assets	136		3,682,319		3,864,434		3,924,434

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position (contd.)

	Audited 31.12.2012 RM'000	Adjustments RM'000	Proforma I RM'000	Adjustments RM'000	Proforma II RM'000	Adjustments RM'000	Proforma III RM'000
Equity and liabilities							
Equity attributable to equity holders of the parent							
Share capital	- *	631,766	631,766		631,766	330,000	961,766
Share premium	-	852,884	852,884		852,884	265,537	1,118,421
Currency translation reserve	-	(4,178)	(4,178)	(40)	(4,218)		(4,218)
Equity component of convertible unsecured loan stocks	-	1,049	1,049		1,049		1,049
Retained earnings	(4,383)	360,565	356,182		356,182	(24,835)	331,347
Merger deficit	-	(1,495,538)	(1,495,538)		(1,495,538)		(1,495,538)
	(4,383)		342,165		342,125		912,827
Minority interests	-	333,118	333,118		333,118		333,118
Total equity	(4,383)		675,283		675,243		1,245,945
Non-current liabilities							
Retirement benefit obligations	-	54,049	54,049		54,049		54,049
Finance lease payables	-	1,212	1,212	45	1,257		1,257
Long term borrowings	-	1,855,098	1,855,098	48,060	1,903,158	(364,539)	1,538,619
Trade and other payables	-	569	569		569		569
Service concession obligations	-	171,869	171,869		171,869		171,869
Consumer deposits	-	141,485	141,485		141,485		141,485
Deferred tax liabilities	-	35,761	35,761	3,610	39,371		39,371
	-		2,260,043		2,311,758		1,947,219

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position (contd.)

	Audited 31.12.2012 RM'000	Adjustments RM'000	Proforma I RM'000	Adjustments RM'000	Proforma II RM'000	Adjustments RM'000	Proforma III RM'000
Current liabilities							
Retirement benefit obligations	-	4,664	4,664		4,664		4,664
Finance lease payables	-	702	702	23	725		725
Short term borrowings	-	72,321	72,321	6,534	78,855	(2,163)	76,692
Zakat	-	4,335	4,335		4,335		4,335
Trade and other payables	4,519	468,010	472,529	116,673	589,202	(144,000)	445,202
Other current liabilities	-	20,055	20,055	7,206	27,261		27,261
Service concession obligations	-	164,402	164,402		164,402		164,402
Income tax payables	-	7,985	7,985	4	7,989		7,989
	4,519		746,993		877,433		731,270
Total liabilities	4,519		3,007,036		3,189,191		2,678,489
Total equity and liabilities	136		3,682,319		3,864,434		3,924,434
Number of shares in issue ('000)	- *		631,766		631,766		961,766
Net assets (RM'000)	(4,383)		675,283		675,243		1,245,945
Net assets per share (RM)	(2,191.50)		1.07		1.07		1.30

* The issued and paid up share capital of Ranhill before proforma adjustments is RM2.

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position (contd.)

6.1 Effects on the proforma consolidated statements of financial position

(a) Proforma consolidated statement of financial position I (Proforma I)

Proforma I incorporates the following effects:

(i) The disposal of RB's entire 70% equity interest in RUSB, entire 51% equity interest in RWorley, entire 100% equity interest in RBV and 50% less one share of its 100% equity interest in RBSB to its wholly owned subsidiary, RPSB, for a total consideration of RM825,000,000. The consideration was satisfied by the following:

- set-off of RB's non-trade amount due to RPSB of RM727,658,421, being balance outstanding as at 31 December 2012; and
- the remaining consideration amount of RM97,341,579 treated as amount due to RB;

(ii) The disposal of RB's 100% equity interest in RPSB to RWP, a newly incorporated company with common shareholders with RB, for a total consideration of RM330,000,000, satisfied by the provision of a guarantee by RWP to RB to fully indemnify and hold RB harmless in respect of the amount owing by RB to RUSB of up to RM330,000,000;

(iii) Incorporation of Ranhill on 17 August 2012 to acquire RWP for a total consideration of RM1,158,000,095, satisfied by the issuance of 492,765,998 Ranhill Shares at the issue price of RM2.35 per Ranhill Share; and

(iv) Acquisition of the remaining 30% equity interest in RUSB. The minority shareholders in RUSB and Ranhill entered into a conditional sale and purchase agreement for Ranhill to acquire the 30% equity interest in RUSB for a total consideration of RM326,650,000, satisfied by the issuance of 139,000,000 Ranhill Shares at the issue price of RM2.35 per Ranhill Share.

Transactions (i) and (ii) above fall under the scope of a business combination under common control and are accounted for using the pooling of interest method.

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position (contd.)

6.1 Effects on the proforma consolidated statements of financial position (contd.)

(a) Proforma consolidated statement of financial position I (Proforma I) (contd.)

Under the pooling of interest method:

(i) The results of entities are presented as if the merger had been effected throughout the current and previous years/period;

(ii) Comparatives are presented as if the entities had always been combined;

(iii) The assets, liabilities and reserves of the entities are recorded at their existing carrying amounts from the perspective of the common control shareholder at the date of transfer;

(iv) 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

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

(b) Proforma consolidated statement of financial position II (Proforma II)

Proforma II incorporates the effects of Proforma I and the Proposed RWT (Cayman) Acquisition for a total consideration of RM104 million. Upon the completion of the acquisition, RWT (Cayman) will become a wholly owned subsidiary of Ranhill.

The Proposed RWT (Cayman) Acquisition is assumed to give rise to goodwill as follows:

	RM
Cash consideration	104,000,000
Fair value of investment retained	92,600,658*
Fair value of net assets acquired	(177,745,720)^
Goodwill, included as part of intangibles	18,854,938

* The fair value of investment retained is assumed to be 52.1% of the net assets of RWT (Cayman) Group as at 31 December 2012. The final determination of the fair value may differ significantly from what is reflected in this proforma consolidated statements of financial position.

^ The final determination of the purchase price allocation will be based on the established fair value of the assets acquired, including the fair value of the identifiable intangible assets, and liabilities assumed as of the acquisition date. The excess of the purchase price over the fair value of net assets acquired is allocated to goodwill. Accordingly, the final determination of the purchase price, fair values, and resulting goodwill may differ significantly from what is reflected in this proforma consolidated statements of financial position.

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position (contd.)

6.1 Effects on the proforma consolidated statements of financial position (contd.)

(c) Proforma consolidated statement of financial position III (Proforma III)

Proforma III incorporates the effects of Proforma I and II, and the Public Issue of 330,000,000 Ranhill Shares at an IPO price of RM1.85 per Ranhill Share in conjunction with the listing and quotation for 961,766,000 Ranhill Shares on the Main Market of Bursa Securities.

The reconciliation of deposits, cash and bank balances from Proforma II to Proforma III is as follows:

	RM'000
Deposits, cash and bank balances as at 31 December 2012 (Proforma II)	459,629
Estimated proceeds from IPO	610,500
	1,070,129
Partial redemption of Sukuk in a subsidiary	(42,500)
Redemption of Islamic Medium Term Notes in a subsidiary*	(330,000)
Part settlement of the purchase consideration for the Acquisition by RPSB	(40,000)
Acquisition of the remaining interest in RWT (Cayman)	(104,000)
Estimated expenses for IPO and listing^	(34,000)
Deposits, cash and bank balances as at 31 December 2012 (Proforma III)	519,629

*Resulting from the assumed redemption of the Islamic Medium Term Notes ("iMTN") as at 31 December 2012 is an adjustment of RM5,797,622 to the retained earnings. This amount represents the difference between the redemption and the carrying amounts of the iMTN. The final redemption and the carrying amounts of the iMTN may be different and accordingly, the impact to the retained earnings may differ from what is reflected in this proforma consolidated statements of financial position.

^Expenses associated to the IPO are estimated to be RM34,000,000, out of which, RM14,963,496 are reflected within equity for the purpose of this proforma consolidated statements of financial position.

Proforma consolidated financial information (contd.)

7. Proforma consolidated statement of cash flows

	Proforma 12 months ended 31.12.2012 RM'000
Cash flows from operating activities	
Cash receipts from customers	2,025,223
Cash paid to suppliers, employees and contractors	(1,595,947)
Cash from operations	429,276
Tax paid	(35,266)
Net cash flows generated from operating activities	394,010
Cash flows from investing activities	
Net fixed deposit withdrawn for banking facility	558
Finance income from fixed deposits	10,158
Proceeds from the disposal of property, plant and equipment	580
Purchase of property, plant and equipment, including softwares	(48,235)
Proceeds from disposal of subsidiaries	2
Other investment	(43,519)
Additional Investment in associates	(705)
Acquisition of additional interest in RWT Cayman	(104,000)
Net cash flows used in investing activities	(185,161)
Cash flows from financing activities	
Interest paid	(86,569)
Restricted deposits, cash and bank balances	(1,930)
Repayment of borrowings	(449,241)
Dividends paid	(146,493)
Settlement of amount due to RB	(93,810)
Advances to related parties	(10,594)
Advances to a jointly controlled entity	(2,237)
Drawdown from borrowings	65,690
Finance lease principal payments	(741)
Capital contribution from shareholders	10
Estimated proceeds from IPO	610,500
Estimated IPO expenses	(34,000)
Net cash flows used in financing activities	(149,415)
Net increase in cash and cash equivalents	59,434
Effect of foreign exchange rate changes	(1,345)
Cash and cash equivalents at beginning of period	222,865
Cash and cash equivalents at end of period	280,954

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

Cash and bank balances	519,629
Deposits pledged as securities to licensed banks	(4,662)
Restricted deposits	(227,700)
Deposits with maturities of three months or more	(2,653)
Bank overdrafts	(3,660)
Cash and cash equivalents	280,954

Proforma consolidated financial information (contd.)

7. Proforma consolidated statement of cash flows (contd.)

7.1 Effect on the proforma consolidated statement of cash flow

In arriving at the proforma consolidated statement of cash flow for the year ended 31 December 2012, the following key assumptions were made:

(a) Internal Reorganisation

It is assumed that the Internal Reorganisation had been completed on 1 January 2012.

(b) RUSB Acquisition and Proposed RWT (Cayman) Acquisition

It is assumed that the RUSB Acquisition and the Proposed RWT (Cayman) Acquisition had been completed on 1 January 2012. Accordingly, RUSB and RWT (Cayman) are assumed to be wholly owned subsidiaries of Ranhill Group for the period from 1 January 2012 onwards.

(c) Estimated proceeds from the IPO and its utilisation

It is assumed that the estimated proceeds from the IPO is RM610,500,000 and its utilisation are as follows:

	RM'000
Partial redemption of Sukuk in a subsidiary	42,500
Redemption of Islamic Medium Term Notes in a subsidiary	330,000
Part settlement of the purchase consideration for the Acquisition by RPSB	40,000
Acquisition of the remaining interest in RWT (Cayman)	104,000
Expansion of environment (water) business in China	61,000
Estimated expenses paid from IPO and listing proceeds*	33,000
	610,500

*An estimated RM1million of the expenses for the IPO and listing will be funded through internally generated funds.

10.7 Dividend policy

No inference should be made from any of the following statements as to our actual future profitability or our ability to pay dividends in the future.

As our Company is a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends that we receive from our Subsidiaries, jointly-controlled entities and associates. The payment of dividends by our Subsidiaries, jointly-controlled entities and associates will depend upon their operating results, distributable profits, capital requirements, financial condition and other relevant factors. The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, our Company will take into account various factors including:

(i) the level of our cash, gearing and retained earnings;

(ii) our expected financial performance;

(iii) our projected levels of capital expenditure and other investment plans; and

(iv) our working capital requirements.

We propose to pay dividends out of cash generated from our operations after setting aside the necessary funding for capital expenditure and working capital needs. As part of this policy, we target a long-term payout ratio of between 50% and 70% of our Company's profit attributable to our equity holders for the year, subject to the confirmation of our Board and to any applicable law and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or to any plans approved by our Board.

Our Board is of the view that it is still possible to achieve the payout ratio of between 50% and 70% notwithstanding the negative covenants imposed after taking into consideration the redemption of RPI's outstanding IMTN and partially redeem RPSB's Sukuk which in turn will facilitate future dividend payouts.

In this respect, our Board intends to recommend a dividend payout of a minimum of 60% of the Company's profit attributable to our equity holders for the year ending 31 December 2014.

Investors should note that this dividend policy merely describes our Company's present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

Refer to Section 5.3.4 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

10.8 Debt covenants

Other than the prior written consent to be obtained from RWSB's lender for the declaration of any dividend or distribution of profits, the following debt covenants under our Group's credit facilities may also restrict future dividend declarations and payments:

Issuer	**RPII**	**RPSB**
Instrument	IMTN of up to RM710.0 million in nominal value ("**IMTN Programme**")	• Bank Guarantee-i Facility of up to RM300.0 million provided by Maybank Islamic Berhad; and • Al-Kafalah Facility of up to RM500.0 million provided by Danajamin Nasional Berhad, (collectively, the "**Guarantee Facilities**") for the Sukuk
Negative covenant under facility	<u>**Distribution covenants**</u> The Issuer shall not, save and except for the redemption of the Redeemable Convertible Non Cumulative Preference Shares ("**RCNCPS**") in item (iii) below, declare dividends and/or make principal and interest payments on subordinated loans/advances and RCNCPS unless the following conditions have been satisfied and confirmed by the trustee to the Issuer: (i) upon payment of the first principal redemption under the IMTN Programme; (ii) advance to the shareholders of RPII by way of an inter company advance have been fully settled; (iii) redemption of 90,000,000 at par value of RM0.01 each at a premium of RM0.99 each of the RCNCPS by RPII has been completed; (iv) compliance with the requirements as set out under the finance service reserve account and finance payment account, being shariah compliant accounts which are solely operated by the facility agent; (v) Debt to equity ratio to be maintained at the stipulated ratio not exceeding 80:20, if calculated immediately following such payment or distribution of dividend;	<u>**Negative covenants**</u> The Issuer shall not declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders ("**Distributions**") or payments (whether in relation to principal, interest, or otherwise) to shareholders, subsidiaries or associated companies ("**Payment**") in connection with any loans or advances from its shareholders, subsidiaries or associated companies obtained before a date as may be agreed between the Issuer and the Guarantor unless all the following conditions are met: (a) no event of default (or event or condition which, with the giving of notice, the passage of time, or both, would become an event of default) shall have occurred and be continuing on the date any Distributions or Payment is to be made; (b) the relevant Financial Covenants (as defined below) will not be breached immediately after the proposed Distributions or Payment; (c) the Distributions are not more than 90% of RPSB's current year's PAT at company level. "**Financial Covenants**" refer to the following: (i) <u>FSCR</u>: RPSB shall ensure that the FSCR shall be 2.0 times at all times;

Issuer	RPII	RPSB
	(vi) Finance Service Cover Ratio ("**FSCR**") is more than 1.75:1 and immediately after payment, FSCR is at least 1.5:1; and (vii) no dissolution event has occurred or is continuing. ***Notes:*** ***FSCR*** *shall mean RPII's after tax cash flow before finance service under all indebtedness for borrowed moneys or financing obtained and distributions to the shareholders over the next twelve (12) months plus RPII cash balances at the beginning of the year divided by principal, all profit and interest payable under all indebtedness for borrowed moneys and/or financing obtained and guarantee fee over the next twelve (12) months.* ***Debt*** *shall includes (i) all amounts outstanding under the IMTN Programme and (ii) all other indebtedness for borrowed monies save and except for subordinated obligations of RPII to its shareholders and all amounts outstanding in respect of advances made by the shareholders by way of loan stocks or otherwise.* ***Equity*** *shall mean the amounts paid up on the issued share capital of RPII, the amounts standing to the credit of the capital and revenue reserves of RPII including any share premium account and profit and loss account, retained earnings/losses and shareholders' advances including the redeemable non-convertible preference shares. The effect of deferred taxation shall not be taken into consideration in determining the balance in the revenue reserves.*	(ii) <u>Debt to equity ratio</u>: RPSB group to maintain a debt to equity ratio of not more than 1.0 time on a consolidated basis at all times; and (iii) <u>Ranhill interest cover ratio</u>: RPSB shall ensure and procure Ranhill to comply with a minimum interest cover ratio of 2.0 times at group level. ***Notes:*** ***FSCR*** *shall mean the ratio of RPSB's available cashflow to the aggregate of:* *(i) all periodic distribution under the terms of the Sukuk and the obligation with respect to the principal amount which will become due on the maturity date of the Sukuk and the guarantee fees payable by RPSB to the facility agents of the Guarantee Facilities in the current twelve (12) months; and* *(ii) all principal and profit/interest obligations payable by RPSB under any other borrowings of RPSB in the current twelve (12) months, save and except for subordinated debt obligation between RPSB and its shareholders/subsidiaries.* ***Debt*** *shall mean the borrowings of RPSB group, excluding non-recourse financings.* ***Equity*** *shall mean RPSB group's shareholders' fund or total equity excluding (i) goodwill and (ii) intangible assets save for the intangible assets of SAJH (which is currently classified as Service Concession Assets in RPSB's Balance Sheet).* ***Interest cover ratio*** *shall mean the consolidated EBITDA over the consolidated profit, interest and finance charges paid by Ranhill at the group level.*

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The Board of Directors
Ranhill Energy and Resources Berhad
Level 15, Wisma Perkeso
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14 June 2013

Dear Sirs,

RANHILL ENERGY AND RESOURCES BERHAD
ACCOUNTANTS' REPORT

1.0 Introduction

This report has been prepared by Messrs Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Ranhill Energy and Resources Berhad ("Ranhill") in connection with the listing of and quotation for the ordinary shares of RM1.00 each in Ranhill ("Ranhill Shares") on the Main Market of Bursa Malaysia Securities Berhad (hereinafter referred to as the "Prospectus").

This report is issued for the sole purpose of complying with the Prospectus Guidelines – Equity, issued by the Securities Commission Malaysia, in connection with the IPO and should not be relied upon for any other purposes. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the IPO. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the IPO.

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2.0 Content of this report

This Report includes the following sections:

No	Description	Section of this Report
(a)	Abbreviations	3.0
(b)	General information	4.0
	- Background information of Ranhill	4.1
	- Internal Reorganisation and Acquisitions	4.2
	- Group structure after Internal Reorganisation and RWP Acquisition	4.3
	- Background information of RWP and Identified Entities	4.4
	- Auditors and audited financial statements	4.5
	- Dividends	4.6
(c)	Audited historical financial information	5.0
	- Basis of preparation of historical financial information	5.1
	- Historical financial information	5.2 - 5.5
(d)	Events subsequent to reporting date	6.0

3.0 Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report:

BNM	Bank Negara Malaysia
Bursa Securities	Bursa Malaysia Securities Berhad
EY	Messrs Ernst & Young, Malaysia
FPE	Financial period ended
FRS	Financial Reporting Standards in Malaysia
FYE	Financial year ended
Identified Entities	Collectively, RUSB Group, RPSB Group, RWorley Group, RBV and RBSB Group
IFRS	International Financial Reporting Standards

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3.0 Abbreviations (contd.)

Unless the context otherwise requires, the following definitions shall apply throughout this report (contd.):

IPO	Initial Public Offering
LOSB	Lambang Optima Sdn Bhd
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
NCI	Non-controlling interests
RB	Ranhill Berhad
RB Group	Collectively, RB and its subsidiaries
RBSB Group	Collectively, Ranhill Bersekutu Sdn Bhd and its jointly controlled entity and associate
RBV	RB Ventures Sdn Bhd
Ranhill/Company	Ranhill Energy and Resources Berhad
Report	Accountants' Report
RM	Ringgit Malaysia, the lawful currency of Malaysia
RPSB	Ranhill Power Sdn Bhd
RPSB Group	Collectively, RPSB and its subsidiaries
RUSB	Ranhill Utilities Sdn Bhd
RUSB Group	Collectively, RUSB and its subsidiaries, jointly controlled entities and associates
RWP	RanhillWP Sdn. Bhd. (formerly known as Ranhill WP Berhad)
RWorley Group	Ranhill WorleyParsons Sdn Bhd and its jointly controlled entity
RWT (Cayman)	Ranhill Water Technologies (Cayman) Limited
RWT (Cayman) Group	Collectively, RWT Cayman and its subsidiaries and jointly controlled entities
SC	Securities Commission Malaysia

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4.0 General information

4.1 Background information of Ranhill

4.1.1 Corporate incormation

Ranhill was incorporated as a public limited liability company in Malaysia on 17 August 2012 in accordance with the Companies Act, 1965. The principal activity of the Company is investment holding.

4.1.2 Share capital

As at the date of this Report, the authorised and issued and paid-up share capital of Ranhill since its incorporation are as follows:

a) Authorised

Date of creation	Par value	Number of ordinary shares '000	Authorised share capital RM'000
17 August 2012	RM1.00	2,000,000	2,000,000

b) Issued and paid-up

Date of allotment	Par value	Number of ordinary shares '000	Consideration RM'000	Cummulative issued and paid-up share capital RM'000
17 August 2012	RM1.00	-*	-*	-*
14 June 2013	RM1.00	492,766	1,158,000	492,766
14 June 2013	RM1.00	139,000	326,650	631,766

* representing 2 ordinary shares and RM2 respectively

4.0 General information (contd.)

4.2 Internal Reorganisation and Acquisitions

(a) Ranhill has implemented the following Internal Reorganisation:

(i) RB disposed its entire 70% equity interest in RUSB, entire 51% equity interest in RWorley, entire 100% equity interest in RBV and 50% less one share of its 100% equity interest in RBSB to its wholly owned subsidiary, RPSB, for a total consideration of RM825,000,000. The consideration was satisfied by the following:

(i) set off of RB's non-trade amount due to RPSB of RM735,000,000; and
(ii) deferred cash payment of RM90,000,000.

(ii) RB disposed of its 100% equity interest in RPSB to RWP, a newly incorporated company with common shareholders with RB, for a total consideration of RM330,000,000, satisfied by the provision of a guarantee by RWP to RB to fully indemnify and held RB harmless in respect of any claims received by RB from RUSB amounting to RM330,000,000 and whereby, upon RB's notice of any demand by RUSB, RWP shall pay RB the amount of the demand.

(b) Ranhill entered into a sale and purchase agreement to acquire the entire 100% equity interest in RWP for a total consideration of RM1,158,000,095, which was satisfied by the issuance of 492,765,998 new ordinary shares of RM1.00 each in Ranhill ("Ranhill Shares") at the issue price of RM2.35 per Ranhill Share ("RWP Acquisition").

The RWP Acquisition has been completed as at the date of this report.

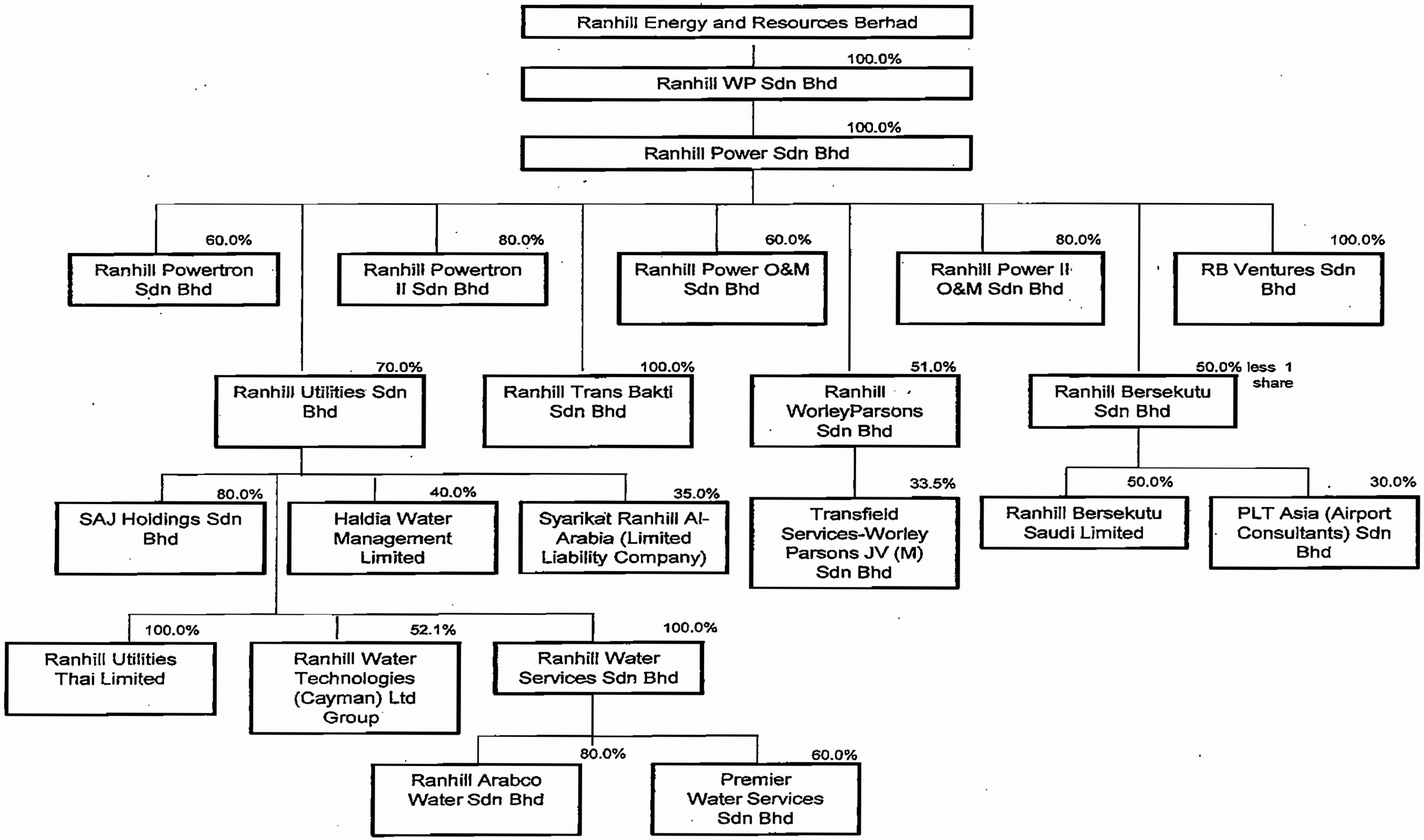
(c) Ranhill entered into a sale and purchase agreement with the minority shareholders of RUSB to acquire the 30% equity interest in RUSB for a total consideration of RM326,650,000, which was satisfied by the issuance of 139,000,000 Ranhill Shares at the issue price of RM2.35 per Ranhill Share ("RUSB Acquisition").

The RUSB Acquisition has been completed as at the date of this report.

(d) On 11 January 2013, RUSB entered into sales and purchase agreements to acquire the remaining 47.9% equity interest in RWT (Cayman) for a total consideration to be satisfied by cash ("Proposed RWT (Cayman) Acquisition").

4.0 General information (contd.)

4.3 Group structure after Internal Reorganisation and RWP Acquisition



4.0 General information (contd.)

4.4 Background Information of RWP and Identified Entities

The background information of RWP and Identified Entities as at 31 December 2012 are as follows:

Entity	Country of incorporation	Date of incorporation	Principal activities	Issued and paid-up share capital	Proportion of ownership interest
				RM	%
RWP	Malaysia	16 March 2012	Investment holding	Ordinary: 10,000	100
RPSB	Malaysia	22 June 1972	Investment holding and provision of management services to its subsidiaries	Ordinary: 120,700,000	100
RUSB	Malaysia	30 August 2000	Investment holding, provision of management consultancy and technical support services to the subsidiaries and consultancy services	Ordinary: 294,500,002	70
RWorley	Malaysia	20 September 1995	Provision of engineering, procurement and construction management, supervision and ancillary services	Ordinary: 8,800,606	51
RBV	Malaysia	21 January 1992	Property investment holding	Ordinary: 10,300,000	100
RBSB	Malaysia	1 July 1981	Provision of engineering, procurement and construction management and project management consultancy services	Ordinary: 15,346,170	50 less one share

4.0 General information (contd.)

4.4 Background Information of RWP and Identified Entities (contd.)

Entity	Country of incorporation	Date of incorporation	Principal activities	Issued and paid-up share capital	Proportion of ownership interest
				RM	%
Subsidiaries of RPSB					
Ranhill Powertron Sdn Bhd	Malaysia	12 January 1995	Independent power producer	Ordinary: 10,000,000	60
Ranhill Powertron II Sdn Bhd	Malaysia	7 August 1995	Independent power producer	Ordinary: 10,000,000 RCNPS* 2,350,000	80
Ranhill Power O&M Sdn Bhd	Malaysia	21 January 1997	Operation and maintenance services for power plants	Ordinary: 500,000	60
Ranhill Power II O&M Sdn Bhd	Malaysia	7 August 1995	Operation and maintenance services for power plants	Ordinary: 500,000	80
Ranhill Trans Bakti Sdn Bhd	Malaysia	17 May 1995	Dormant	Ordinary: 500,000	100

**RCNPS - Redeemable convertible non-cumulative preference shares*

4.0 General information (contd.)

4.4 Background Information of RWP and Identified Entities (contd.)

Entity	Country of incorporation	Date of incorporation	Principal activities	Issued and paid-up share capital RM	Proportion of ownership interest %
Subsidiaries of RUSB					
Ranhill Water Services Sdn Bhd	Malaysia	21 February 2005	Providing and carrying on project management consultancy services relating to both domestic and overseas water-related projects	Ordinary: 750,000	100
SAJ Holdings Sdn Bhd	Malaysia	5 February 1999	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 service arrangement	Ordinary: 100,000,000	80
Ranhill Utilities Thai Limited	Thailand	8 December 2010	Expanding the Company's water related business activities and to undertake water related projects in Thailand	Ordinary: THB* 1,000,000	100

**THB - Thai Baht*

4.0 General information (contd.)

4.4 Background Information of RWP and Identified Entities (contd.)

Entity	Country of incorporation	Date of incorporation	Principal activities	Issued and paid-up share capital	Proportion of ownership interest
				RM	%
Subsidiaries of Ranhill Water Services Sdn Bhd					
Ranhill Arabco Water Sdn Bhd	Malaysia	7 October 2011	Project management consultancy services relating to both domestic and overseas water related projects	Ordinary: 1000	80
Premier Water Services Sdn Bhd	Malaysia	8 March 2012	Provision, operation, management, improvement and undertaking the water advanced pressure management in relation to non-revenue water related business or activities	Ordinary: 250,000	60
Jointly controlled entity RUSB					
Ranhill Water Technologies (Cayman) Ltd*	Cayman Islands	12 November 2008	Investment holding and provision of consultancy services, project management, engineering, procurement, construction, operation and maintenance services to both municipal and industrial water, sewerage and wastewater treatment plants.	Ordinary: USD32,000,000	52.1

*The subsidiaries and jointly controlled entity of Ranhill Water Technologies (Cayman) Ltd are further dislosed in Section 5.5.27.

4.0 General information (contd.)

4.4 Background Information of RWP and Identified Entities (contd.)

Entity	Country of incorporation	Date of incorporation	Principal activities	Issued and paid-up share capital	Proportion of ownership interest
Associates of RUSB					
Syarikat Ranhill Al-Arabia	Saudi Arabia	14 June 2009	Undertaking non-revenue water improvement project in the Kingdom of Saudi Arabia	SAR* 500,000	35
Haldia Water Management Limited	India	12 June 2008	Undertaking water supply services in Haldia Development Authority Command area	Rs** 277,736,830	40
Jointly Controlled Entity of RBSB					
Ranhill Bersekutu Saudi Limited	Saudi	28 May 2007	Execution of contracts of industrial and civil establishments, management and operation	SAR* 500,000	50
Associate of RBSB					
PLT Asia (Airport Consultants) Sdn Bhd	Malaysia	22 November 1993	Have commenced Members' Voluntary Winding-up in March 2012	Ordinary: 100,000	30
Jointly Controlled Entity of RWorley					
Transfield Services - WorleyParsons JV (M) Sdn Bhd	Malaysia	20 October 2009	Provision of advisory and consultancy services, maintenance, procurement and project operations and management services	Ordinary: 175,000	33.5

**SAR - Saudi Riyal*
***Rs - Indian Rupees*

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4.0 General information (contd.)

4.5 Auditors and audited financial statements

The financial statements of Ranhill and RWP were audited by EY for the relevant financial periods under review.

The combined financial statements of Identified Entities were audited by EY for all the relevant financial years/period under review for the purpose of this Report. The basis of the preparation of the combined financial statements is further explained in Section 5.1.2 of this Report.

The financial statements of the individual entities within Identified Entities for the financial years/period prior to 31 December 2011 were previously audited by firms other than EY for the purposes of complying with the statutory requirements for the respective financial years/period.

The auditors' reports in respect of the abovementioned audited financial statements for the respective financial years/period under review were not subject to any material qualification except as mentioned below:

The audited financial statements of Ranhill (Hefei) Wastewater Treatment Co. Ltd for the financial year ended 31 December 2010 prepared in accordance with Accounting Standard for Small Business Enterprises for local statutory purposes in China contained a qualification whereby the auditors highlighted that physical sighting on the property, plant and equipment (and plant in construction) and observation of cash count as at 31 December 2010 had not been performed. The auditors also did not receive certain confirmations' replies as at the date of the issuance of the audit opinion.

4.6 Dividends

Ranhill has not paid or declared any dividend since its incorporation on 17 August 2012.

5.0 Audited historical financial information

5.1 Basis of preparation of historical financial information

This Report presents the historical financial information of Ranhill, RWP, Identified Entities and RWT Cayman Group, which have been prepared from the following sources:

No.	Entity	Audited financial statements	Note	Section of this Report
(a)	Ranhill	Entity	5.1.1	5.2
(b)	RWP	Entity	5.1.1	5.3
(c)	Identified Entities	Combined	5.1.2	5.4
(d)	RWT (Cayman) Group	Group	5.1.3	5.5

No audited financial statements have been prepared subsequent to 31 December 2012.

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5.0 Audited historical financial information (contd.)

5.1 Basis of preparation of historical financial information (contd.)

5.1.1 The audited financial statements of Ranhill and RWP respectively, comprise the statements of financial position as at 31 December 2012 and the statements of comprehensive income, statements of changes in equity and the statements of cash flows for the financial period from the dates of their incorporation to 31 December 2012, on which we have expressed an audit opinion and reported to the shareholders of Ranhill and RWP respectively, that the financial statements give a true and fair view of the financial position as of 31 December 2012 and of their financial performance and cash flows for the financial period from the dates of their incorporation to 31 December 2012 in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

The dates of incorporation of Ranhill and RWP were 17 August 2012 and 16 March 2012 respectively.

5.1.2 The audited combined financial statements of Identified Entities comprise the:

a) combined statements of financial position as at 30 June 2010, 31 December 2011 and 31 December 2012; and

b) combined statements of comprehensive income, statements of cash flows and statements of changes in equity for the financial years/period ended 30 June 2010, 31 December 2011 and 31 December 2012;

on which we have expressed an audit opinion that these combined financial statements give a true and fair view of the combined financial position as of 30 June 2010, 31 December 2011 and 31 December 2012 and of the financial performance and cash flows for the financial years/period ended 30 June 2010, 31 December 2011 and 31 December 2012 in accordance with MFRS and IFRS.

5.0 Audited historical financial information (contd.)

5.1 Basis of preparation of historical financial information (contd.)

5.1.2 The audited combined financial statements are the responsibility of the Directors of Ranhill and have been prepared solely for the purpose of the proposed listing of Ranhill's shares on the Main Market of Bursa Securities and for no other purpose.

The audited combined financial statements have been prepared in accordance with MFRS, which also comply with IFRS as issued by the International Accounting Standards Board.

The audited combined financial statements have been prepared from the consolidated financial statements of RB and the individual financial statements of Identified Entities, which were prepared in accordance with FRS (for the financial years/period prior to 31 December 2012) in Malaysia. Where appropriate, adjustments have been made to the audited combined financial statements to comply with MFRS.

The audited combined financial statements have been prepared as if Identified Entities have operated as a single economic entity throughout the financial years/period ended 30 June 2010, 31 December 2011 and 31 December 2012 and have been prepared from the books and records maintained by each entity. The financial information as presented in the audited combined financial statements may not be the same as the consolidated financial statements of Ranhill Group post IPO. Further, such information does not purport to predict Ranhill Group's financial position, results and cash flows.

5.1.3 As mentioned in Section 4.2 (c), Ranhill via RUSB has entered into sale and purchase agreements to acquire the remaining 47.9% interest of RWT (Cayman).

As at the date of this Report, RWT (Cayman) is a jointly controlled entity of Ranhill. Upon the completion of the Proposed RWT (Cayman) Acquisition, RWT (Cayman) will become a wholly owned subsidiary of Ranhill. It is the intention of Ranhill to utilise part of the IPO proceeds to satisfy the purchase consideration for the Proposed RWT (Cayman) Acquisition.

Pursuant to the requirements of the SC's Guidelines on Prospectus - Equity in respect of an IPO, the historical financial information of RWT Cayman Group are disclosed separately in this Report and are included in Section 5.5.

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad

Statement of Comprehensive Income

	Note	17.8.2012 (Date of incorporation) to 31.12.2012 RM'000
Revenue		-
Administrative expenses		(4,383)
Loss before tax	5.2.3	(4,383)
Taxation	5.2.4	-
Loss net of tax, representing total comprehensive loss for the period		(4,383)

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Statement of Financial Position

	Note	31.12.2012 RM'000
Current assets		
Cash on hand		-*
Other current asset	5.2.5	136
		136
Current liability		
Other payables	5.2.6	(4,519)
Total liabilities		(4,383)
Equity attributable to owners of the parent		
Share capital	5.2.7	-*
Accumulated loss		(4,383)
Shareholders' deficit		(4,383)

-* representing RM2

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Statement of Changes in Equity

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
At 17 August 2012 (date of incorporation)	-*	-	-*
Total comprehensive loss for the period	-	(4,383)	(4,383)
At 31 December 2012	-*	(4,383)	(4,383)

-* representing RM2

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Statement of Cash Flows

	17.8.2012 (Date of incorporation) to 31.12.2012 RM'000
Cash flows from operating activity	-
Cash flows from investing activity	-
Cash flows from financing activity	-
Net cash and cash equivalent	-
Cash and cash equivalents at date of incorporation	-*
Cash and cash equivalents at end of period	-*

-* representing RM2

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements

5.2.1 Corporate information

Ranhill is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of Ranhill is located at Suite 9, DirectBiz Avenue, No 38B-2, Jalan Radin Anum, Bandar Baru Seri Petaling, 57000 Kuala Lumpur.

5.2.2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis, except as otherwise stated in the accounting policies below and are presented in Ringgit Malaysia, rounded to the nearest thousand (RM'000).

(b) Standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following relevant MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by Ranhill:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements (contd.)

5.2.2 Summary of significant accounting policies (contd.)

(b) Standards and interpretations issued but not yet effective (contd.)

The directors of Ranhill are of opinion that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

(d) Provisions

Provisions are recognised when Ranhill has 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 the amount of the obligation can be estimated reliably.

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.

(e) 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, Ranhill becomes 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.

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements (contd.)

5.2.2 Summary of significant accounting policies (contd.)

(e) Financial liabilities (contd.)

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

(f) Income taxes

(i) Current tax

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities using tax rates and tax laws that are enacted or substantively enacted by the reporting date. Current tax is recognised in profit or loss.

(ii) 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 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 is recognised in profit or loss.

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements (contd.)

5.2.2 Summary of significant accounting policies (contd.)

(g) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of Ranhill after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

5.2.3 Loss before tax

The following amounts have been included in arriving at loss before tax:

	17.8.2012 (Date of incorporation) to 31.12.2012 RM'000
Auditors' remuneration	12
Preliminary expenses	2
Professional expenses	3,731
Registration fees	70

5.2.4 Taxation

There is no tax charge for the period as Ranhill is in a tax loss position. Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Ranhill is as follows:

5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements (contd.)

5.2.4 Taxation (contd.)

	17.8.2012 (Date of incorporation) to 31.12.2012 RM'000
Loss before tax	(4,383)
Taxation at Malaysian statutory tax rate of 25%	(1,096)
Expenses not deductible for tax purposes	1,096
	-

5.2.5 Other current asset

	31.12.2012 RM
Prepayment of rental	136

5.2.6 Other payables

	31.12.2012 RM'000
Accrued operating expenses	3,966
Amounts due to related parties	553
Financial liabilities carried at amortised cost	4,519

The amounts due to the related parties represent advances received, are unsecured and repayable on demand. Related parties refer to companies with common directors and shareholders.

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5.0 Audited historical financial information (contd.)

5.2 Ranhill Energy and Resources Berhad (contd.)

Notes to the financial statements (contd.)

5.2.7 Share capital

	Number of ordinary shares of RM1 each RM'000	Amount RM'000
Authorised:		
At 17 August 2012 (date of incorporation)/ 31 December 2012	2,000,000	2,000,000
Issued and fully paid:		
At 17 August 2012 (date of incorporation)/ 31 December 2012	-*	-*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to Ranhill's residual assets.

-* representing RM2

5.2.8 Related party transaction

Information regarding the outstanding balance arising from related parties is disclosed in Note 5.2.6.

There is no compensation for key management personnel who are the directors of Ranhill during the period.

5.2.9 Fair value of financial instruments

The carrying amounts of all financial asset and liabilities of Ranhill are reasonable approximation of fair values due to their short-term nature.

5.2.10 Financial risk management and capital management

Ranhill is not exposed to any significant financial risk, other than relying on its shareholders for continued financial support.

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad)

Statement of Comprehensive Income

	Note	16.3.2012 (Date of incorporation) to 31.12.2012 RM'000
Revenue		-
Other operating expenses		(23)
Loss before tax	5.3.3	(23)
Taxation	5.3.4	-
Loss net of tax, representing total comprehensive loss for the period		(23)

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Statement of Financial Position

	Note	31.12.2012 RM'000
Current asset		
Cash and bank balances		10
Current liabilities		
Other payable	5.3.5	13
Amount due to a related party	5.3.6	10
		23
Net current liabilities		(13)
Equity attributable to owners of the parent		
Share capital	5.3.7	10
Accumulated loss		(23)
Shareholders' deficit		(13)

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Statement of Changes in Equity

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
At 16 March 2012 (date of incorporation)	10	-	10
Total comprehensive loss for the period	-	(23)	(23)
At 31 December 2012	10	(23)	(13)

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Statement of Cash Flows

	16.3.2012 (Date of incorporation) to 31.12.2012 RM'000
Cash flows from operating activity	-*
Cash flows from investing activity	-
Issuance of share capital, reprensenting net cash flow from financing activity	10
Net increase in cash flows in cash and cash equivalent	10
Cash and cash equivalents at date of incorporation	-**
Cash and cash equivalents at end of period	10

-* representing RM46
-** representing RM2

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements

5.3.1 Corporate information

RWP was incorporated on 16 March 2012 as a public limited company in Malaysia. On 23 August 2012 , RWP has converted to a private limited liability company and known as RanhillWP Sdn Bhd. The registered office of RWP is located at Level 15, Wisma Perkeso, No 155 Jalan Tun Razak, 50400 Kuala Lumpur.

The principal activity of the Company is investment holding.

5.3.2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis, except as otherwise stated in the accounting policies below and are presented in Ringgit Malaysia, rounded to the nearest thousand (RM'000).

(b) Standards and interpretations issued but not yet effective

At the date of authorisation of the financial statements, the following relevant MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by RWP:

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.2 Summary of significant accounting policies (contd.)

(b) Standards and interpretations issued but not yet effective (contd.)

MFRSs, Amendments to MFRSs and IC Interpretation		**Effective for annual periods beginning on or after**
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The directors of RWP are of opinion that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.2 Summary of significant accounting policies (contd.)

(d) Provisions

Provisions are recognised when RWP has 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 the amount of the obligation can be estimated reliably.

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.

(e) 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, RWP becomes 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.

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

5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.2 Summary of significant accounting policies (contd.)

(f) Financial guarantee contracts

Financial guarantee contracts issued by RWP are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

(g) Income taxes

(i) Current tax

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities using tax rates and tax laws that are enacted or substantively enacted by the reporting date. Current tax is recognised in profit or loss.

(ii) 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 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 is recognised in profit or loss.

(h) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of RWP after deducting all of its liabilities. Ordinary shares are equity instruments.

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.2 Summary of significant accounting policies (contd.)

(h) Share capital (contd.)

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

5.3.3 Loss before tax

The following amounts have been included in arriving at loss before tax:

	16.3.2012 (Date of incorporation) to 31.12.2012 RM'000
Auditors' remuneration	11
Accounting and secretarial fees	11

5.3.4 Taxation

There is no tax charge for the period as RWP is in a tax loss position.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of RWP is as follows:

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.4 Taxation (contd.)

	16.3.2012 (Date of incorporation) to 31.12.2012 RM'000
Loss before tax	(23)
Taxation at Malaysian statutory tax rate of 25%	(6)
Expenses not deductible for tax purposes	6
	-

5.3.5 Other payable

	31.12.2012 RM'000
Accrual	13

5.3.6 Amount due to a related party

These amounts are unsecured, non-interest bearing and are payable on demand. A related party refers to a company with common director and shareholder.

5.3.7 Share capital

	Number of ordinary shares of RM0.10 each 31.12.2012 RM'000	Amount 31.12.2012 RM'000
Authorised:	1,000	100
At incorporation/end of period		
Issued and fully paid:	-*	-*
At incorporation date	100	10
Issued during the period	100	10
At 31 December 2012		

-* representing 20 ordinary shares and RM2 respectively

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5.0 Audited historical financial information (contd.)

5.3 RanhillWP Sdn. Bhd. (formerly known as RanhillWP Berhad) (contd.)

Notes to the financial statements (contd.)

5.3.7 Share capital (contd.)

On 13 August 2012, RWP subdivided its authorised capital from 100,000 ordinary shares of RM1 each to 1,000,000 ordinary shares of RM0.10 each. Consequently, the existing issued and paid up share capital conprising 2 ordinary shares of RM1.00 each was subdivided into 20 ordinary shares of RM0.10 each and shall rank pari passu among themselves.

On 24 August 2012, RWP increased its issued and paid up share capital from RM2 to RM10,000 through the issuance of 99,980 ordinary shares of RM0.10 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of RWP. All ordinary shares rank equally with regard to the RWP's residual assets.

5.3.8 Related party transaction

There is no compensation for key management personnel who are the directors of RWP during the period.

5.3.9 Fair value of financial instruments

The carrying amounts of all financial asset and liabilities of RWP are reasonable approximation of fair values due to their short-term nature.

5.3.10 Financial risk management and capital management

RWP is not exposed to any significant financial risk, other than relying on its shareholders for continued financial support.

5.3.11 Significant event

Pursuant to the Internal Reorganisation, RWP has on 8 August 2012, entered into a corporate guarantee and indemnity agreement with Export-Import Bank of Malaysia Berhad ("EXIM Bank") to act as the corporate guarantor in place of RB in favour of EXIM Bank for the payment and discharge of all the indebtedness and for the performance of the obligations of a RB's subsidiary, Amona Ranhill Consortium Sdn Bhd ("ARC") for a term loan granted.

On 10 June 2013, Exim Bank has agreed to discharge RWP as the corporate guarantor subject to certain terms and conditions to be fulfilled.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities

Combined Statements of Comprehensive Income

	Note	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Revenue	5.4.4	1,985,193	2,454,146	1,346,358
Cost of sales	5.4.5	(1,395,204)	(1,702,060)	(916,321)
Gross profit		589,989	752,086	430,037
Other items of income				
Interest income	5.4.6	77,369	67,314	13,181
Other income	5.4.7	60,587	14,773	1,420,498
Other items of expense				
Administrative expenses		(249,568)	(362,152)	(198,270)
Other operating expenses		(2,059)	(3,260)	(1,489)
Tendering and marketing		(2,470)	(3,965)	(3,996)
Finance costs	5.4.8	(84,505)	(115,137)	(88,113)
Zakat		(1,968)	(3,336)	-
Share of results of associates		-	(9,071)	851
Profit before tax	5.4.9	387,375	337,252	1,572,699
Income tax expense	5.4.12	(105,149)	(35,370)	(44,882)
Profit net of tax		282,226	301,882	1,527,817
Other comprehensive income:				
Foreign currency translation, representing other comprehensive income for the year/period, net of tax		(1,759)	(203)	(5,434)
Total comprehensive income for the year/period		280,467	301,679	1,522,383
Profit net of tax attributable to:				
Owners of the parent		161,091	181,572	1,059,781
Non-controlling interests		121,135	120,310	468,036
		282,226	301,882	1,527,817
Total comprehensive income attributable to:				
Owners of the parent		159,882	181,367	1,056,002
Non-controlling interests		120,585	120,312	466,381
		280,467	301,679	1,522,383

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Financial Position

	Note	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Non-current assets				
Property, plant and equipment	5.4.13	616,709	616,598	632,403
Construction in progress	5.4.14	-	-	536,539
Investment properties	5.4.15	375	400	438
Operating financial assets	5.4.16	152,360	104,404	72,232
Service concession assets	5.4.17	364,735	95,586	310,204
Intangibles	5.4.18	328,446	323,946	323,946
Finance lease receivables	5.4.20	699,831	730,261	139,911
Deferred tax assets	5.4.21	338,858	387,769	373,743
Investment in associates	5.4.22	-	168	7,309
Trade and other receivables	5.4.23	70,546	70,546	70,546
		2,571,860	2,329,678	2,467,271
Current assets				
Operating financial assets	5.4.16	5,359	3,794	688
Finance lease receivables	5.4.20	30,430	28,238	-
Trade and other receivables	5.4.23	1,539,312	1,399,205	917,695
Inventories	5.4.24	58,907	52,196	27,808
Tax recoverable		6,174	4,987	6,932
Other current assets	5.4.25	101,453	177,716	152,565
Other financial assets	5.4.19	43,554	-	-
Deposits, cash and bank balances	5.4.27	454,139	447,246	347,854
		2,239,328	2,113,382	1,453,542
Total assets		4,811,188	4,443,060	3,920,813

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Financial Position (contd.)

	Note	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Current liabilities				
Retirement benefit obligations	5.4.28	4,664	1,755	2,245
Finance lease payables	5.4.29	702	580	816
Short term borrowings	5.4.30	72,321	65,087	83,991
Other financial liability	5.4.19	-	1,612	-
Zakat	5.4.31	4,335	4,191	2,037
Trade and other payables	5.4.32	441,254	387,836	853,323
Other current liability	5.4.33	20,055	26,772	15,946
Service concession obligations	5.4.34	164,402	115,426	154,316
Tax payable		7,985	9,262	1,778
		715,718	612,521	1,114,452
Net current assets		1,523,610	1,500,861	339,090
Non-current liabilities				
Retirement benefit obligations	5.4.28	54,049	49,214	40,831
Finance lease payables	5.4.29	1,212	1,053	1,421
Long term borrowings	5.4.30	1,855,098	1,892,229	897,054
Trade and other payables	5.4.32	569	9,007	7,648
Service concession obligations	5.4.34	171,869	-	200,316
Consumer deposits	5.4.35	141,485	141,298	127,142
Deferred tax liabilities	5.4.21	35,761	11,538	197
		2,260,043	2,104,339	1,274,609
Total liabilities		2,975,761	2,716,860	2,389,061
Net assets		1,835,427	1,726,200	1,531,752
Equity attributable to owners of the parent				
Equity contribution and other reserves other reserves		1,194,492	1,134,716	1,048,016
Non-controlling interests		640,935	591,484	483,736
Total equity		1,835,427	1,726,200	1,531,752
Total equity and liabilities		4,811,188	4,443,060	3,920,813

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Changes in Equity

	Note	Equity contributions and other reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
2012				
As at 1 January 2012		1,134,716	591,484	1,726,200
Total comprehensive income		159,882	120,585	280,467
Transactions with owners				
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(97)	(97)
- Gain on disposals of investment in subsidiaries		2	-	2
- Dividends on ordinary shares	5.4.38	(100,108)	(68,983)	(169,091)
- CULS interest paid to non-controlling interests		-	(2,054)	(2,054)
As at 31 December 2012		1,194,492	640,935	1,835,427
2011				
As at 1 July 2010		1,048,016	483,736	1,531,752
Total comprehensive income		181,367	120,312	301,679
Transactions with owners				
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(120)	(120)
- Gain on partial disposal of investment in subsidiaries		25,162	49,658	74,820
- Dividends on ordinary shares	5.4.38	(119,829)	(60,289)	(180,118)
- CULS interest paid to non-controlling interests		-	(1,813)	(1,813)
As at 31 December 2011		1,134,716	591,484	1,726,200

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Changes in Equity (contd.)

	Note	Equity contributions and other reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
2010				
As at 1 July 2009		571,737	278,268	850,005
Total comprehensive income		1,056,002	466,381	1,522,383
Transactions with owners				
- Disposal of interest in a subsidiary		-	20,000	20,000
- Dividends on ordinary shares	5.4.38	(579,723)	(279,825)	(859,548)
- CULS interest paid to non-controlling interests		-	(1,088)	(1,088)
As at 30 June 2010		1,048,016	483,736	1,531,752

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Cash Flows

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Cash flows from operating activities			
Cash receipts from customers	2,003,904	2,498,931	1,194,952
Cash paid to suppliers and employees	(1,549,843)	(2,096,845)	(1,064,128)
Cash from operations	454,061	402,086	130,824
Tax paid	(34,506)	(28,978)	(27,476)
Net cash flows generated from operating activities	419,555	373,108	103,348
Cash flows from investing activities			
Proceeds from realisation of water related assets to PAAB	-	177,143	937,125
Net fixed deposit placed/(withdrawn) for banking facility	471	9,826	(8,321)
Interest income from fixed deposits	10,042	17,738	8,581
Proceeds from the disposal of property, plant and equipment	580	602	411
Purchase of property, plant and equipment, including softwares	(48,113)	(54,519)	(21,987)
Construction cost incurred	-	(69,708)	(391,610)
Proceeds from disposal of investment in subsidiaries	2	74,820	-
Investment in Islamic managed funds	(43,519)	-	-
Investment in associates	(705)	(2,142)	(3,739)
Net cash flows (used in)/generated from investing activities	(81,242)	153,760	520,460

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Combined Statements of Cash Flows (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Cash flows from financing activities			
Interest paid	(83,166)	(97,886)	(73,438)
Restricted deposits, cash and bank balances	(1,930)	(114,559)	(59,024)
Dividend paid to holding company	(146,493)	(198,947)	(944,719)
Repayment of term loans	(67,045)	(19,604)	(37,271)
Net advances to holding company	(53,811)	(1,088,988)	(35,203)
Net advances to related parties	(10,594)	-	-
Advances to a jointly controlled entity	(2,238)	-	-
Drawdown of borrowings	34,223	997,203	465,538
Finance lease principal payments	(719)	(504)	(7,866)
Net cash flows used in financing activities	(331,773)	(523,285)	(691,983)
Net decrease in cash and cash equivalents	6,540	3,583	(68,175)
Effect of foreign exchange rate changes	(908)	(2,617)	(6,294)
Cash and cash equivalents at beginning of year/period	212,804	211,838	286,307
Cash and cash equivalents at end of year/period (Note 5.4.27)	218,436	212,804	211,838

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements

5.4.1 Corporate information

The principal activities of Identified Entities are as disclosed in Notes 5.4.36 and 5.4.37. There have been no significant changes in the nature of these principal activities during the financial years/periods.

5.4.2 Significant accounting policies

5.4.2.1 Basis of preparation

The combined financial statements of Identified Entities have been prepared on a historical cost basis, except as otherwise stated in the accounting policies below.

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

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective

At the date of authorisation of the combined financial statements, the following MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by Identified Entities:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual periods beginning on or after
MFRS 3	Business combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective

At the date of authorisation of the combined financial statements, the following MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by Identified Entities:

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual periods beginning on or after
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	First time adoption of Malaysian Financial Reporting Standards- Government loans	1 January 2013
Amendments to MFRS 1	First time adoption of Malaysian Financial Reporting Standards- Annual Improvements (2009-2011 cycle)	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11	Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12	Disclosure of interest in other entities: Transition Guidance	1 January 2013
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 cycle)	1 January 2013
Amendments to MFRS 116	Property, plant and equipment (Annual Improvements 2009-2011 cycle)	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 132	Financial instruments: Presentation (Annual Improvements 2009-2011 cycle)	1 January 2013

The directors are of the opinion that the adoption of the standards and interpretations above will have no material impact on the combined financial statements in the period of initial application other than as follows:

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (contd.)

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of Identified Entities' financial assets. Identified Entities will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 10: Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (contd.)

MFRS 11: Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will affect the financial position of Identified Entities due to the cessation of proportionate consolidation of its jointly controlled entitieds. Under MFRS 11, its jointly controlled entities would be accounted for using the equity method.

MFRS 11 will be applied in accordance with the relevant transitional provisions set out in MFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method will be measured as the aggregate of the carrying amounts of the assets and liabilities that Identified Entities had previously proportionately consolidated.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (contd.)

MFRS 12: Disclosure of interests in other entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on Identified Entities' financial position or performance.

MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

Upon adoption of MFRS 13, Identified Entities will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain properties of Identified Entities.

MFRS 119: Employee benefits

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. 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 approach" as permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (contd.)

MFRS 119: Employee benefits (contd.)

The amendments to MFRS 119 require retrospective application with certain exceptions. The directors anticipate that the application of the amendments to MFRS 119 may have impact on amounts reported in respect of Identified Entities' defined benefit plans. However, Identified Entities is currently assessing the impact that this standard will have on the financial position and performance of Identified Entities.

MFRS 127: Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128: Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to Identified Entities.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective (contd.)

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of investment properties). The amendment affects presentation only and has no impact on the Identified Entities' financial position and performance.

5.4.2.3 Basis of combination

(a) Subsidiaries

The combined financial statements comprise the financial statements of subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the combined financial statements are prepared using the same reporting date.

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which Identified Entities has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Identified Entities controls another entity.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Identified Entities.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2.3 Basis of combination (contd.)

(a) Subsidiaries (contd.)

Subsidiaries are combined from the date of acquisition, being the date on which Identified Entities obtains control, and continue to be combined until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method, except for the internal group reorganization of SAJ Holdings Sdn Bhd ("SAJH") which was accounted for using the merger method of accounting. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets acquired, liabilities incurred or assumed, and equity instruments issued. Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the cost of the business combination over Identified Entities' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of Identified Entities' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised as income in profit or loss on the date of acquisition.

Under the merger method of accounting, the results of the subsidiary are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve.

Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in retained profit.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.3 Basis of combination (contd.)

(a) Subsidiaries (contd.)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and Identified Entities' share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary recognised in the consolidated statement of comprehensive income.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

(b) Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity over which there is contractually agreed sharing of control by Identified Entities with one or more parties, where the strategic, financial and operating decisions relating to the jointly controlled entity require unanimous consent of the parties.

Identified Entities' interest in a jointly controlled entity is accounted for by proportionate consolidation. Identified Entities combines its share of the jointly controlled entity's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in Identified Entities' financial statements.

Identified Entities recognises the portion of gains or losses on the sale of assets by Identified Entities to the jointly controlled entity that is attributable to the other ventures. Identified Entities does not recognise its share of profits or losses from the jointly controlled entity that result from the purchase of assets by Identified Entities from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately when the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.3 Basis of combination (contd.)

(b) Jointly controlled entities (contd.)

Adjustments are made in Identified Entities' combined financial statements to eliminate Identified Entities' share of intragroup balances, income and expenses and unrealised gains and losses on transactions between Identified Entities and its jointly controlled entity.

The financial statements of the joint venture are prepared as of the same reporting date as Identified Entities. Where necessary, adjustments are made to bring the accounting policies into line with those of Identified Entities.

(c) Associates

Associates are those corporations, partnerships or other entities in which Identified Entities exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Identified Entities' share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When Identified Entities' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Identified Entities' interest is reduced to nil and recognition of further losses is discontinued except to the extent that Identified Entities has incurred legal or constructive obligations or made payments on behalf of the associate.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.3 Basis of combination (contd.)

(c) Associates (contd.)

Unrealised gains on transactions between Identified Entities and its associates are eliminated to the extent of Identified Entities' interest in the associates; unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of Identified Entities.

5.4.2.4 Transactions with non-controlling interests

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

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.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests is accounted for as a revaluation.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.5 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. The foreign currency translation reserve is reclassified from equity to profit or loss of Identified Entities on disposal of the foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of Identified Entities on disposal of the foreign operation.

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

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.5 Foreign currency (contd.)

(c) Foreign operations

The results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are taken directly to other comprehensive income.

On combination, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal closing rates used in the transaction of foreign currency amounts are as follows:

	31.12.2012 RM	31.12.2011 RM	30.6.2010 RM
Foreign Currency			
1 US Dollar	3.06	3.17	3.27
1 Saudi Riyal	0.82	0.85	0.87
1 Libyan Dinnar	2.38	2.46	2.51
100 Chinese Yuan	49.09	50.30	47.97
100 Thai Baht	10.01	10.00	10.08
100 Indian Rupee	5.59	5.99	7.07

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.6 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 Identified Entities' 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.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 5.4.2.5(c).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.6 Intangible Assets (contd.)

(b) Licenses comprise:

(i) 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 5.4.17. The license is subject to 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.

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

5.4.2.7 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 Identified Entities 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 plant 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 plant.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.7 Property, plant and equipment (contd.)

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, Identified Entities 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, or their revalued amounts, to their residual values over their estimated useful lives at the following annual depreciation rates:

Long term leasehold land	2%
Power plant	35 years
Replaceable parts	4.5%
Plant and machinery	4% - 20%
Renovations	20%
Moulds, 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 year in which the changes arise.

Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

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 year the asset is derecognised. Gains and losses on derecognition of the asset are determined by comparing proceeds with the carrying amount of the asset.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

5.4.2.9 Impairment of non-financial assets

Identified Entities assesses 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, Identified Entities makes 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, Identified Entities assesses 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.9 Impairment of non-financial assets (contd.)

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.

5.4.2.10 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, Identified Entities becomes 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.

Identified Entities determines 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.10 Financial assets (contd.)

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

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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.10 Financial assets (contd.)

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 Identified Entities commits to purchase or sell the asset.

5.4.2.11 Impairment of financial assets

Identified Entities assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

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

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

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.11 Impairment of financial assets (contd.)

Trade and other receivables and other financial assets carried at amortised cost (contd.)

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

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

5.4.2.12 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, Identified Entities becomes 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 Identified Entities 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.12 Financial liabilities (contd.)

(b) Other financial liabilities

Identified Entities' 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 Identified Entities 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.

5.4.2.13 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.13 Construction contracts (contd.)

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.

Irrespective whether the outcome of a construction contract or VO can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit or loss recognised is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts under receivables (within current assets). Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to customers on contracts under payables (within current liabilities).

5.4.2.14 Concession contracts

A substantial portion of Identified Entities' assets are used within the framework of concession contracts granted by public sector customers ('grantors') and/or by concession companies purchased by Identified Entities on full or partial privatization. Further details of the concession contracts are disclosed in Note 5.4.17. The characteristics of these contracts vary significantly depending on the country and activity concerned.

Nonetheless, they generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.14 Concession contracts (contd.)

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

(a) Financial asset model

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

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

- amounts specified or determined in the contract; or

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

Financial assets from the application of this policy are recorded in the statement of financial position under the heading 'Operating financial assets' and recognised at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

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

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

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.14 Concession contracts (contd.)

(a) Financial asset model (contd.)

Revenue associated with this financial asset model includes:

- revenue determined on a completion basis in the case of construction of operating financial assets;
- the remuneration of the operating financial asset recorded in revenue from operating financial assets (excluding principal payments); and
- service remuneration.

(b) Intangible asset model

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

Intangible assets resulting from the application of this policy are recorded in the statement of financial position under the heading 'Service Concession assets' and are amortised, generally on a straight-line basis, over the contract term. However, fees paid to local authorities that are part of intangible costs are disclosed under item 'Other intangible assets'.

Under the intangible asset model, revenue includes:

- revenue from the construction of the infrastructure; and
- operating revenue of the infrastructure.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.15 Provisions

Provisions are recognised when Identified Entities 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 the amount of the obligation can be estimated reliably.

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.

5.4.2.16 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.

5.4.2.17 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.18 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 Identified Entities, 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.

5.4.2.19 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial period in which the associated services are rendered by employees of Identified Entities. 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

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

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.19 Employee benefits (contd.)

(b) Post-employment benefits (contd.)

(i) Defined contribution plan

A defined contribution plan is a pension plan under which Identified Entities 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 obligation of Malaysian Companies within Identified Entities 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. Overseas subsidiaries make contributions to their respective countries' statutory pension scheme based on their statutory obligation.

Identified Entities' contributions to a defined contribution plan are charged to the profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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 liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. Identified Entities determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by an independent actuary, considering the estimated future cash outflows using market yields at reporting date of government securities which have currency and terms to maturity approximating the terms of the related liability.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.19 Employee benefits (contd.)

(b) Post-employment benefits (contd.)

(ii) Defined benefit plan (contd.)

Plan assets in excess of the defined benefit obligation are subject to the assets limitation specified in MFRS 119 – Employee Benefits ("MFRS 119"). Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the profit or loss is determined by the corridor method in accordance with MFRS 119 and is charged or credited to profit or loss over the average remaining service lives of the related employees participating in the defined benefit plan.

Past service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Upon initial adoption of MFRS 119, the increase in defined benefit liability is recognised as an expense on a straight-line basis over the vesting period.

5.4.2.20 Leases

(a) As lessee

Finance leases, which transfer to Identified Entities 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.20 Leases

(a) As lessee (contd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that Identified Entities 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 Identified Entities 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 5.4.2.26(g).

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.

Identified Entities recognise 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.21 Borrowing costs

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

The borrowing costs capitalised in respect of infrastructure assets during the financial year 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 year.

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 Identified Entities incurred in connection with the borrowing of funds.

5.4.2.22 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.22 Income tax (contd.)

(b) Deferred tax (contd.)

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

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.22 Income tax (contd.)

(b) Deferred tax (contd.)

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.

5.4.2.23 Convertible unsecured loan stocks ("CULS")

The CULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of CULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. On issuance of the CULS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities set out in Note 5.4.2.12(b).

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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.24 Contingencies

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

Identified Entities does not recognise a contingent liability and asset but discloses its existence in the financial statements.

5.4.2.25 Zakat

Identified Entities recognises its obligation towards the payment of zakat on business. Zakat for the current financial year is recognised when Identified Entities has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when Identified Entities has been in operation for at least 12 months, i.e. for the period known as haul.

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

5.4.2.26 Revenue recognition

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

(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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.26 Revenue recognition (contd.)

(c) Construction contracts

Contract revenue is recognised based on percentage of completion method and is measured by reference to the contract cost incurred to date to the estimated total costs for the contract. Use of the percentage of completion method requires Identified Entities to estimate the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue including variation orders and contract claims and contract costs. In making the estimates, Identified Entities relies on past experience, the use of engineering tools and the work of specialists.

Revenue from construction contracts is recognised based on the percentage of completion method as described in Note 5.4.2.13.

(d) Contribution by housing developers

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

(e) Special works, services and sales of parts

Revenue relating to special works, services and sales of parts is recognised upon delivery of products and customer acceptance, if any, or performance of services.

(f) Concession contract

Revenue from concession contracts is recognised based on the percentage of completion method as described in Note 5.4.2.14.

(g) 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.2 Significant accounting policies (contd.)

5.4.2.26 Revenue recognition (contd.)

(h) Interest income

Interest income is recognised using the effective interest method.

(i) Dividend income

Dividend income is recognised when Identified Entities' right to receive payment is established.

(j) Management fees

Management fees are recognised when services are rendered.

5.4.3 Significant accounting judgements and estimates

The preparation of Identified Entities' combined 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.

5.4.3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Bulk supply rate ("BSR") applied for purchase of treated water

Pursuant to the Master Agreement dated 11 March 2009, the Group, Johor State Government and Syarikat Air Johor Sdn Bhd had executed a Water Supply Agreement ("WSA") which included the supply of treated water by Southern Water Corporation Sdn Bhd ("SWC").

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.3 Significant accounting judgements and estimates (contd.)

5.4.3.1 Judgements made in applying accounting policies (contd.)

Bulk supply rate ("BSR") applied for purchase of treated water (contd.)

Under the WSA, the Group is to pay certain BSR for treated water supplied by SWC. During the financial year ended 31 December 2012 and up to the date of this report, there were several discussions, negotiations and correspondences between the relevant parties to revise the BSR for the financial year ended 30 June 2010 and financial period 31 December 2011.

The Group assesses the impact of the potential revision to be an overpayment to SWC of approximately RM14million. In determining the recognition of this amount, the Group evaluates, amongst other factors, the stage of negotiations and the availability of evidences on the agreement by all relevant parties regarding the revised BSR. The Group is of the view that the revision to the BSR has yet to be finalised and agreed by all the relevant parties and accordingly, the potential overpayment should not be recognised in the statement of comprehensive income during the current financial year.

5.4.3.2 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 year are discussed below:

(a) Useful life of power plant

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

These are common 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 Identified Entities' power plant at the reporting dates are disclosed in Note 5.4.13.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.3 Significant accounting judgements and estimates (contd.)

5.4.3.2 Key sources of estimation uncertainty (contd.)

(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 Identified Entities' property, plant and equipment at the reporting date is disclosed in Note 5.4.13.

(c) Construction contracts and revenue recognition

For revenues and expenses generated from construction contracts, Identified Entities applies the percentage of completion method of accounting, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. The determination of the stage of completion and the revenues to be recognized rely on numerous estimations based on costs incurred and acquired experience. Adjustments of initial estimates can, however, occur throughout the life of the contract, which can have significant impacts on future net income/(loss).

As estimates inherent in construction contracts are subject to uncertainty, certain situations exist whereby management is unable to reliably estimate the outcome of a construction contract. These situations can occur during the early stages of a contract due to a lack of historical experience or throughout the contract as significant uncertainties develop related to additional costs, claims and performance obligations.

(d) 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. Identified Entities 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 5.4.12.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.3 Significant accounting judgements and estimates (contd.)

5.4.3.2 Key sources of estimation uncertainty (contd.)

(e) Deferred tax assets

Deferred tax assets are recognised for capital allowances, unutilised reinvestment allowances, unutilised investment allowances, infrastructure allowances 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 5.4.21.

(f) Impairment of goodwill and intangible assets

Goodwill and indefinite life intangibles 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 goodwill and intangibles disclosed in Note 5.4.18.

(g) Impairment of loans and receivables

Identified Entities 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, Identified Entities 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 Identified Entities' loans and receivable at the reporting date is disclosed in Note 5.4.23.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.3 Significant accounting judgements and estimates (contd.)

5.4.3.2 Key sources of estimation uncertainty (contd.)

(h) 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. Further details are provided in Note 5.4.28.

(i) Finance lease accounting

Identified Entities classify leases that transfer from Identified Entities to the lessee substantially all the risks and rewards incidental to ownership of the leased item as finance lease receivables. Identified Entities recognise finance lease receivables at an amount equal to the net investment in the lease. Lease payments are apportioned between 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 is recognised to profit or loss. Further details are disclosed in Note 5.4.20.

(j) Service concession assets

The service concession assets are determined based on the present value of the total estimated lease rental payable to PAAB which have been computed based on certain reduced annual and escalation rates that have been agreed between the relevant parties. The reduced annual and escalation rates, however, 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.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.4 Revenue

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Water revenue	748,733	1,032,117	619,371
Sale of electricity	232,599	301,988	121,036
Rental income from operating lease	127,417	167,141	110,423
Contribution by housing developers [a]	8,825	538	2,873
Construction contract revenue	762,698	858,835	402,139
Concession contract revenue	47,943	26,874	22,799
Operation and maintenance	11,636	13,342	5,179
Non revenue water reduction fees [b]	39,426	44,775	54,347
Special works [c]	5,583	7,708	5,964
Others	333	828	2,227
	1,985,193	2,454,146	1,346,358

[a] Relates to income from housing developers for the installation of water pipes and water meters to new housing areas.

[b] Relates to revenue from services provided for the reduction of loss of water through leakages and faulty water distribution systems.

[c] Mainly comprises reconnection fees, repair works and other related works charged as part of the distribution of treated water to consumers.

5.4.5 Cost of sales

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Water and its related costs	507,835	710,523	447,527
Construction contract costs	600,709	612,832	274,676
Operation and maintenance costs	40,890	52,651	52,638
Management and consultancy costs	1,907	3,225	2,026
Power and its related costs	239,359	314,576	133,520
Rental costs	4,504	8,253	5,934
	1,395,204	1,702,060	916,321

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.6 Interest income

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Interest income:			
- Due from holding company	-	-	418
- Loans and receivables	3,210	1,572	-
- Operating financial assets	8,049	8,453	4,059
- Fixed deposits	10,042	17,738	8,581
- Finance lease income (Note 5.4.20)	55,930	39,551	-
- Others	138	-	123
	77,369	67,314	13,181

5.4.7 Other income

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Foreign exchange differences:			
- Unrealised gain	367	3,193	707
- Realised gain	160	602	1,184
Gain on disposal of property, plant and equipment	429	365	389
Effects arising from transfer of water related assets	-	-	1,370,063
Rental income	183	908	1,273
Plan processing fees	999	1,271	1,174
Claims from customer	2,453	3,757	4,734
Reversal of impairment of trade receivables (Note 5.4.23)	-	1,436	8,056
Reversal of interest accrued on late payment to trade payables *	-	67	19,355 *
Reversal on interest accrued on loan transferred to PAAB	-	-	11,001
Reversal of accruals and provisions no longer required	-	1,618	1,699
Dividends	-	121	3
Unwinding of interest on trade receivables	390	209	-
Sale of tender documents	142	338	110
Sale of scrap materials	6	89	292
Bad debts recovered	-	159	138
Reversal of inventories written down	-	-	117

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.7 Other income (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Parking fees	281	306	-
Insurance claims	22	-	5
Discount received and receivable from PAAB **	53,774	-	-
Reversal of bad debts written off	935	-	-
Miscellaneous income ***	446	334	198
	60,587	14,773	1,420,498

* The reversal was in relation to a material litigation with a third party which was concluded in favour of Identified Entities.

** Discount received and receivable from PAAB represents the net amount of Developer Contribution collected in the First Operating Period after deducting certain capital expenditure that is incurred on behalf of PAAB. This discount was granted by PAAB as a form of relief over the lease rental charges payable to PAAB for the Second Operating Period.

*** Mainly comprised refund from customers, meter testing fees, cleaning and utilities fees, training fees and reversal of miscellaneous charges by banks.

5.4.8 Finance costs

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Islamic Medium Term Notes	28,126	48,964	35,605
Musharakah Medium Term Notes ("mMTN")	43,841	23,467	-
Commodity Murabahah Term Financing-i (CMTF-i)/Conventional Syndicated Term Loan:			
- interest	-	44,968	20,373
- issuance cost	-	-	3,196
Refinancing charges *	-	12,835	-
Revolving credits	-	849	793
Finance leases	71	91	5,185
Term loans	3,482	1,661	28,235
Amortisation on discount on issuance of BaIDS	-	-	2,390
Bank overdrafts	239	882	664
Bank guarantees	684	779	202

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.8 Finance costs (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Trust receipts and bankers' acceptance	129	470	364
Unwinding of interest of service concession obligations	7,750	16,553	14,675
Others	183	698	-
	84,505	152,217	111,682
Interest expense capitalised:			
- Construction in progress (Note 5.4.14)	-	(37,080)	(23,569)
	84,505	115,137	88,113

* Relate to issuance costs associated with the Conventional Syndicated Term Loan which were charged to the income statement upon the full settlement of the loan in June 2011.

5.4.9 Profit before tax

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

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Auditors' remuneration			
- statutory audit			
- current year	879	831	741
- prior year	30	24	12
- non-audit fees	4	21	351
Amortisation of service concession assets (Note 5.4.17)	156,191	214,633	119,258
Amortisation of softwares (Note 5.4.18)	1,345	-	-
Depreciation of plant and equipment (Note 5.4.13)	42,809	66,164	42,423
Depreciation of investment properties (Note 5.4.15)	25	38	26
Management fees paid to holding company	80	180	120
Employee benefits expense (Note 5.4.10)	393,362	511,429	284,535
Directors' remuneration (Note 5.4.11)	5,696	9,431	5,337
Bad debts written off	437	5,588	52
Allowance for impairment			
- Trade receivables (Note 5.4.23)	8,479	3,983	3,221
- Other receivables	-	210	14

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.9 Profit before tax (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Impairment loss on investment in associate (Note 5.4.22)	873	212	-
Operating lease rentals:			
- Land and buildings	21,921	30,201	17,264
- Motor vehicles and equipment	6,138	8,244	4,692
Plant and equipment written off (Note 5.4.13)	26	39	44
Construction in progress written off (Note 5.4.14)	-	1,164	-
Provision for liquidated ascertained damages *	-	13,500	-
Loss on disposal of property, plant and equipment	2	198	2
Impairment of inventories	698	-	-
Late payment interest on dividend payment	40	679	-
Provision for foreseeable loss on contracts	1,782	3,680	-
Net fair value (gain)/loss on derivatives	(1,647)	1,084	-
Net unrealised foreign exchange loss	1,677	-	1,140
Net realised foreign exchange loss	245	2,123	-

* Relates to the delay in the completion of the Combine Cycle Gas Turbin Power Plant in a subsidiary.

5.4.10 Employee benefits expense

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Wages, salaries and bonus	323,718	427,391	233,581
Employee allowances	22,612	28,690	17,434
Defined contribution plans	22,969	27,128	15,629
Defined benefit retirement plan (Note 5.4.28)	11,070	11,670	6,010
Other staff related expenses	12,993	16,550	11,881
	393,362	511,429	284,535

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.11 Directors' remunerations

The details of remuneration receivable by directors of Identified Entities are as follows:

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Non-Executive Directors:			
Fees	802	561	371
Other emoluments	282	407	277
	1,084	968	648
Executive Directors:			
Fees	-	324	216
Salaries and bonus	4,150	7,100	3,899
Defined contribution plan	416	1,017	530
Other emoluments	12	18	12
Benefits-in-kind	34	4	32
	4,612	8,463	4,689
Total	5,696	9,431	5,337

5.4.12 Income tax expense

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Income tax			
Current year			
- Malaysian tax	33,989	39,112	14,233
- Foreign tax	1,826	1,709	982
Overprovision in prior years	(3,773)	(2,414)	(5,386)
	32,042	38,407	9,829
Deferred tax (Note 5.4.21)			
- Origination and reversal of deferred tax	70,217	(7,071)	32,246
- Underprovision in respect of prior years	2,890	4,034	2,807
	73,107	(3,037)	35,053
Income tax expense	105,149	35,370	44,882
Deferred income tax charged directly to equity			
- Equity component of CULS (Note 5.4.21)	-	350	-

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.12 Income tax expense (contd.)

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2011: 25%, 2010: 25%) of the estimated assessable profit for the years/period.

Entity incorporated in the Cayman Islands is not subject to tax in accordance with local tax laws.

Entities incorporated in the People's Republic of China ("PRC") are subject to corporate tax of 25%. In accordance with the PRC's Corporate Income Tax Law, certain qualified environmental protection projects are entitled to a full three year tax exemption and a three year 50% tax reduction on project revenue, commencing from the project's first revenue-generating year of the project.

By virtue of the Investment Promotion Act B.E.2520 in Thailand, an entity was granted exemption from corporate income tax on the net profit derived from the operation of promoted activity (aggregating below investment capital) for a period of eight years from the date income is first derived from such activity. Another Entity in Thailand is subject to progressive tax rates of 15% to 30% of assessable profit for the period.

Entity incorporated in Hong Kong is subject to statutory tax rate of 16.5% of the estimated assessable profit for the period.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of Identified Entities is as follows:

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Profit before tax	387,375	337,252	1,572,699
Tax at Malaysian statutory tax rate of 25%	96,844	84,313	393,175
Different tax rates in other countries	437	644	97
Expenses not deductible for tax purposes	11,861	25,974	14,149
Income not subject to tax	(3,717)	(8,912)	(348,246)
Utilisation of current year's investment allowance	-	(96,324)	-
Deferred tax asset recognised	(446)	-	(6,330)
Deferred tax asset not recognised	1,081	39,199	190
Tax incentives	(28)	-	(4,649)
Underprovision of deferred tax in prior years	2,890	4,034	2,807
Overprovision of income tax in prior years	(3,773)	(2,414)	(5,386)
Interest income on CULS deductible for tax purposes	-	-	(906)
Transaction costs on borrowings deductible for tax purposes	-	(11,196)	-
Others	-	52	(19)
	105,149	35,370	44,882

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.13 Property, plant and equipment

	Plant and machinery RM'000	Mould, renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power plant RM'000	Replacement parts RM'000	Capital works-in-progress RM'000	Total RM'000
Cost:								
At 1 July 2009	9,172	203,647	30,962	6,998	673,327	47,880	101	972,087
Additions	7,487	4,017	4,212	-	297	-	5,974	21,987
Adjustments (Note (i))	-	-	-	-	-	-	5,533	5,533
Disposals	-	(4)	(1,146)	-	-	-	-	(1,150)
Transfer	2,305	536	-	-	-	-	(2,841)	-
Written off	-	(6,436)	-	-	-	-	-	(6,436)
Currency translation differences	(515)	(17)	(10)	-	-	-	(9)	(551)
At 30 June 2010	18,449	201,743	34,018	6,998	673,624	47,880	8,758	991,470
At 1 July 2010	18,449	201,743	34,018	6,998	673,624	47,880	8,758	991,470
Additions	29,690	16,701	4,874	-	45	-	3,209	54,519
Adjustments (Note (ii))	-	-	-	-	-	-	(4,020)	(4,020)
Disposals	-	(812)	(1,878)	-	-	-	-	(2,690)
Transfer	2,492	1,993	6	-	-	-	(4,491)	-
Written off	(19)	(7,285)	(80)	-	-	-	-	(7,384)
Currency translation differences	399	20	14	-	-	-	6	439
At 31 December 2011	51,011	212,360	36,954	6,998	673,669	47,880	3,462	1,032,334
At 1 Jan 2012	51,011	212,360	36,954	6,998	673,669	47,880	3,462	1,032,334
Additions	12,737	5,063	4,648	-	-	-	20,762	43,210
Disposals	-	(812)	(2,215)	-	-	-	-	(3,027)
Transfer	17,962	389	234	-	-	-	(18,585)	-
Written off	(11)	(207)	-	-	-	-	-	(218)
Currency translation differences	(99)	(15)	(4)	-	-	-	(2)	(120)
At 31 December 2012	81,600	216,778	39,617	6,998	673,669	47,880	5,637	1,072,179

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.13 Property, plant and equipment (contd.)

	Plant and machinery RM'000	Mould, renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power plant RM'000	Replacement parts RM'000	Capital works-in-progress RM'000	Total RM'000
Accumulated depreciation:								
At 1 July 2009	3,400	127,724	19,466	1,610	145,141	26,887	-	324,228
Charge for the year	1,797	18,503	3,406	140	17,965	612	-	42,423
Disposals	-	(3)	(1,125)	-	-	-	-	(1,128)
Written off	-	(6,392)	-	-	-	-	-	(6,392)
Currency translation differences	(52)	(8)	(4)	-	-	-	-	(64)
At 30 June 2010	5,145	139,824	21,743	1,750	163,106	27,499	-	359,067
At 1 July 2010:	5,145	139,824	21,743	1,750	163,106	27,499	-	359,067
Charge for the period	8,496	27,047	6,043	210	23,451	917	-	66,164
Disposals	-	(473)	(1,760)	-	-	-	-	(2,233)
Written off	(1)	(7,264)	(80)	-	-	-	-	(7,345)
Currency translation differences	68	11	4	-	-	-	-	83
At 31 December 2011	13,708	159,145	25,950	1,960	186,557	28,416	-	415,736
At 1 January 2012:	13,708	159,145	25,950	1,960	186,557	28,416	-	415,736
Charge for the period	8,071	19,605	4,850	140	9,532	611	-	42,809
Disposals	-	(785)	(2,089)	-	-	-	-	(2,874)
Written off	(2)	(190)	-	-	-	-	-	(192)
Currency translation differences	(16)	8	(1)	-	-	-	-	(9)
At 31 December 2012	21,761	177,783	28,710	2,100	196,089	29,027	-	455,470

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.13 Property, plant and equipment (contd.)

	Plant and machinery RM'000	Mould, renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power plant RM'000	Replacement parts RM'000	Capital works-in-progress RM'000	Total RM'000
Net carrying amount:								
At 30 June 2010	13,304	61,919	12,275	5,248	510,518	20,381	8,758	632,403
At 31 December 2011	37,303	53,215	11,004	5,038	487,112	19,464	3,462	616,598
At 31 December 2012	59,839	38,995	10,907	4,898	477,580	18,853	5,637	616,709

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.13 Property, plant and equipment (contd.)

Identified Entities' adjustments are in respect of:

(i) Reclassification of water related assets (mainly water meters) which are to be borne by RUSB Group as confirmed by PAAB amounting to RM Nil (2011: RM Nil, 2010: RM5,533,000); and

(ii) Reclassification of water related assets which are to be borne by PAAB amounting to RM Nil (2011: RM4,020,000, 2010: RM Nil);

Assets held under finance leases

During the financial period ended 31 December 2012, Identified Entities acquired motor vehicles with an aggregate cost of RM4,648,000 (2011: RM4,874,000, 2010: RM4,212,000) of which RM506,000 (2011: RM695,000, 2010: RM600,000) 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 2012 was RM2,658,000 (2011: RM3,027,000, 2010: RM3,063,000).

Leased assets are pledged as security for the related finance lease liabilities (Note 5.4.29).

Assets pledged as security

In addition to assets held under finance lease, certain Identified Entities' property, plant and equipment are pledged as security to financial institutions as security for loan and borrowings, as disclosed in Note 5.4.30.

Title transfer of long term leasehold land

At the reporting date, the title to long term leasehold land is in the process of being transferred to Identified Entities.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.14 Construction in progress

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At beginning of year/period	-	536,539	261,271
Construction costs incurred during the year/period	-	69,708	391,610
Capitalisation of interest expense (Note 5.4.8)	-	37,080	23,569
Transfer to finance lease receivables (Note 5.4.20)	-	(642,163)	(139,911)
Written off (Note 5.4.9)	-	(1,164)	-
At end of year/period	-	-	536,539

The construction in progress was in relation to a Power Purchase Agreement ("PPA") with Sabah Electricity Sdn Bhd ("SESB") to construct, own and operate a 190MV Combined Cycle Turbine Power Plant for a concession period of 21 years. Upon completion of the Open and Combined Cycle of the said Turbine Power Plant, the total costs incurred which approximate its fair value at the commencement of the lease term are transferred to finance lease receivable as disclosed in Note 5.4.20.

5.4.15 Investment properties

	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 1 July 2009/30 June 2010/31 December 2011/ 31 December 2012	17	1,531	1,548
Accumulated depreciation:			
At 1 July 2009	4	365	369
Depreciation for the year (Note 5.4.9)	1	25	26
At 30 June 2010	5	390	395
At 1 July 2010	5	390	395
Depreciation for the period (Note 5.4.9)	1	37	38
At 31 December 2011	6	427	433
At 1 January 2012	6	427	433
Depreciation for the period (Note 5.4.9)	-	25	25
At 31 December 2012	6	452	458

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.15 Investment properties (contd.)

	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Impairment loss:			
At 1 July 2009/30 June 2010/31 December 2011/ 31 December 2012	-	715	715
Net carrying amount:			
At 30 June 2010	12	426	438
At 31 December 2011	11	389	400
At 31 December 2012	11	364	375

5.4.16 Operating financial assets

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At the beginning of the year/period	108,198	72,920	55,185
Additions	55,186	36,598	23,345
Repayments	(4,283)	(4,500)	(2,397)
Foreign exchange difference	(1,382)	3,180	(3,213)
At the end of the year/period	157,719	108,198	72,920
Presented as:			
Current	5,359	3,794	688
Non-current	152,360	104,404	72,232
	157,719	108,198	72,920

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.16 Operating financial assets (cont'd.)

The principal new operating financial assets relate to:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Amata Nakorn Potable Water Treatment Plant	73	308	185
Amata Nakorn Wastewater Treatment Plant	181	560	435
Amata Nakorn Reclaim Water Treatment Plant	990	817	1,281
Xiao Lan Economic Development Zone Wastewater Treatment Park	1,398	1,501	1,940
Hefei Chemical Industrial Park Wastewater Treatment Park	5,960	4,549	14,217
Xin Xiang Industrial Park Wastewater Treatment Plant	377	1,453	4,948
Yingkou Economic & Technology Development Zone Wastewater Treatment Plant	11,162	10,622	339
Xiao Lan Economic Development Zone Wastewater Treatment Plant (Phase II)	30,360	13,073	-
Amata City Potable Water Treatment Plant	3,381	-	-
Amata Nakorn Wastewater Treatment Plant & Amata Nakorn Reclaim Water Treatment Plant (Upgrading)	-	3,560	-
Asian Institute Technology	1,304	155	-
	55,186	36,598	23,345

The principal repayments of operating financial assets relate to:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Amata Nakorn Potable Water Treatment Plant	169	443	285
Amata Nakorn Wastewater Treatment Plant	243	798	506
Amata Nakorn Reclaim Water Treatment Plant	448	1,003	608
Xiao Lan Economic Development Zone Wastewater Treatment Plant	875	1,758	998
Hefei Chemical Industrial Park Wastewater Treatment Park	2,439	302	-
Asian Institute Technology	109	-	-
Amata Nakorn Wastewater Treatment Plant & Amata Nakorn Reclaim Water Treatment Plant (Upgrading)	-	196	-
	4,283	4,500	2,397

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.16 Operating financial assets (cont'd.)

Operating financial assets comprise financial assets resulting from the application of accounting policy as disclosed in Note 5.4.2.14(a) on accounting for concession contracts.

Concession contracts involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations built by Identified Entities, or made available to it for a fee or nil consideration.

These contracts define 'public service obligations' in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, Identified Entities generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts. Resulting maintenance and repair costs are analysed in accordance with MFRS 137 on provisions where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

The nature and extent of Identified Entities' rights and obligations under these different contracts differ according to the public services rendered by the different Group divisions.

Identified Entities manages potable water and wastewater services. These services encompass the design, construction, implementation, fabrication, installation, commission, operation and maintenance of water treatment plant.

These services are primarily rendered under Build Operating Transfer (BOT) contracts with a term ranging from 20 years to 30 years. They concern the treatment of potable and wastewater. They use specific assets, such as potable water and wastewater treatment plants, which are generally built by Identified Entities and returned to the concession grantor at the end of the contract.

For certain arrangements, Identified Entities provides water treatment services to local authorities with a remuneration based on services rendered. These services are generally managed by Anurak Water Treatment Facilities Limited under contracts entered into at the request of public bodies which retain control thereof.

The amounts of operating financial assets charged for borrowings (Note 5.4.30) as at reporting date is RM99,432,000 (2011: RM43,275,000, 2010: RM28,674,00).

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.17 Service concession assets

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Cost			
At beginning of the year/period	431,973	431,949	3,044
Additions *	425,356	-	428,957
Currency translation differences	(44)	24	(52)
At end of the year/period	857,285	431,973	431,949
Accumulated amortisation			
At beginning of the year/period	336,387	121,745	2,506
Amortisation charge for the financial year/period (Note 5.4.9)	156,191	214,633	119,258
Currency translation differences	(28)	9	(19)
At end of the year/period	492,550	336,387	121,745
Net carrying amounts	364,735	95,586	310,204

* 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 5.4.2.14(b) on accounting for concession contracts.

In line with the move to improve the quality, coverage and reliability of the nation's water supply and safeguard the interests of consumers, the Water Services Industry Act ("WSIA") and Suruhanjaya Perkhidmatan Air Negara Act 2006 have been 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.

SAJH has agreed to migrate to a licensing regime for water supply services in the State of Johor. SAJH had on 11 March 2009 executed a Master Agreement to effect the migration. Under the new licensing regime, SAJH shall be required to apply and comply with the conditions of a service license to be granted by SPAN. Amongst the conditions are the submission of a Three-Year Business Plan, adherence to a set of Key Performance Indicators and determination of the water tariff by SPAN.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.17 Service concession assets (contd.)

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

SAJH has entered into the Second Operating Period which cover from 1 July 2012 to 31 December 2014. The Business Plan for the the Second Operating Period has been submitted to SPAN for its approval and currently pending its formal acceptance.

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) SAJH should not made any dividends payment without prior written consent from SPAN;

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

(vi) SAJH is responsible on the operation of the assets maintenance of water supply service in rural areas in the State of Johor allocated to SAJH.

5.4.18 Intangibles

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Goodwill	41,162	41,162	41,162
Service licenses	282,784	282,784	282,784
Softwares	4,500	-	-
	328,446	323,946	323,946
Goodwill			
At beginning/end of the year/period	41,162	41,162	41,162

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.18 Intangibles (contd.)

The carrying amounts of goodwill and licenses allocated to Identified Entities' cash-generating units ("CGU") are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Power generation	29,894	29,894	29,894
Water services	11,151	11,151	11,151
Others *	117	117	117
	41,162	41,162	41,162

** individually insignificant to the respective CGUs*

<u>Service licenses</u>

Water services	282,784	282,784	282,784

Service licenses represent cost of service license issued to subsidiaries to operate in Malaysia and Thailand including service licenses 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.

These service licenses are not amortised but assessed for impairment at each reporting date.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.18 Intangibles (contd.)

Impairment test for goodwill and licenses with indefinite useful life

The recoverable amounts of both the power generation and 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 5 years consistent with the term of the licences and the underlying agreements.

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

	Power generation %	Water services %
Growth rate	1.0	3.5
Pre-tax discount rate	9.5	10.0

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.

Softwares

	31.12.2012 RM'000
Cost	
At beginning of the year	-
Addition during the year	5,845
At end of the year	5,845
Accumulated amortisation	
At beginning of the year	-
Amortisation charge for the year (Note 5.4.9)	1,345
At end of the year	1,345
Net carrying amounts	4,500

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.19 Other financial assets and financial liability

	31.12.2012 Carrying amount RM'000	31.12.2012 Fair value RM'000	31.12.2011 Carrying amount RM'000	31.12.2011 Fair value RM'000
Financial assets at fair value through profit or loss				
- Forward currency contracts	35	35	-	-
- Short term investment in Islamic managed funds	43,519	43,519	-	-
	43,554		-	
Financial liability at fair value through profit or loss				
- Forward currency contracts	-	-	1,612	1,612

Identified Entities uses forward currency contracts to manage some of the transaction exposures. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

During the financial year ended 31 December 2012, Identified Entities recognised a gain of RM35,000 (2011: loss RM1,612,000) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

The contracted amount in Ringgit Malaysia for the forward currency contracts as at 31 December 2012 is RM25,418,054 (2011: RM46,241,104).

The investments in Islamic managed funds aim to provide Identified Entities with a regular income stream that comply with Shariah requirements while maintaining capital stability.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.20 Finance lease receivables

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At beginning of year/period	758,499	139,911	-
Transfer from construction in progress (Note 5.4.14)	-	642,163	139,911
	758,499	782,074	139,911
Repayment	(84,168)	(63,126)	-
Finance lease income (Note 5.4.6)	55,930	39,551	-
At end of year/period	730,261	758,499	139,911

The finance lease receivables are further analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Gross amounts receivable	1,246,622	1,330,790	139,911
Less: Unearned finance interest income	(516,361)	(572,291)	-
Finance lease receivables	730,261	758,499	139,911
Analysed into:			
Current	30,430	28,238	-
Non-current	699,831	730,261	139,911
	730,261	758,499	139,911

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.20 Finance lease receivables (contd.)

The terms of the lease agreement is summarised as follows:-

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Gross amounts receivable within:			
Not later than 1 year	84,168	84,168	-
Later than 1 year but not later than 2 years	84,168	84,168	-
Later than 2 years but not later than 5 years	252,503	252,503	-
Later than 5 years	825,783	909,951	139,911
Total minimum lease payments receivable	1,246,622	1,330,790	139,911
Less: Unearned finance interest income	(516,361)	(572,291)	-
	730,261	758,499	139,911
Present value of payments receivable:			
Not later than 1 year	30,430	28,238	-
Later than 1 year but not later than 2 years	32,793	30,430	-
Later than 2 years but not later than 5 years	114,458	106,213	-
Later than 5 years	552,580	593,618	139,911
Present value of minimum lease payments receivable	730,261	758,499	139,911

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 plant facility on 22 April 2011 and bore an average effective interest rate of 7.5% per annum.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.21 Deferred taxation

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

	Deferred tax assets							
	Unutilised reinvestment allowance RM'000	**Unutilised investment allowance RM'000**	**Unabsorbed capital allowance RM'000**	**Unutilised tax losses RM'000**	**Unutilised infrastructure allowance RM'000**	**Provisions RM'000**	**Others RM'000**	**Total RM'000**
At 1 July 2009	64,915	134,382	294,461	-	-	18,604	2,956	515,318
Recognised in profit and loss	-	-	(27,348)	-	-	194	(496)	(27,650)
At 30 June 2010	64,915	134,382	267,113	-	-	18,798	2,460	487,668
At 1 July 2010	64,915	134,382	267,113	-	-	18,798	2,460	487,668
Recognised in profit and loss	-	57,666	40,628	3,962	64	459	3,716	106,495
Exchange differences	-	-	-	-	-	(1)	-	(1)
At 31 December 2011	64,915	192,048	307,741	3,962	64	19,256	6,176	594,162
At 1 January 2012	64,915	192,048	307,741	3,962	64	19,256	6,176	594,162
Recognised in profit and loss	(1,850)	16,699	(66,338)	(153)	-	5,037	5,158	(41,447)
Exchange differences	-	-	76	-	-	-	-	76
At 31 December 2012	63,065	208,747	241,479	3,809	64	24,293	11,334	552,791

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.21 Deferred taxation (contd.)

	Deferred tax liabilities			
	Property, plant and equipment RM'000	Convertible unsecured loan stocks RM'000	Others RM'000	Total RM'000
At 1 July 2009	(106,719)	-	-	(106,719)
Recognised in profit and loss	(7,403)	-	-	(7,403)
At 30 June 2010	(114,122)	-	-	(114,122)
At 1 July 2010	(114,122)	-	-	(114,122)
Recognised in equity	-	(350)	-	(350)
Recognised in profit and loss	(103,469)	151	(140)	(103,458)
Exchange differences	(1)	-	-	(1)
At 31 December 2011	(217,592)	(199)	(140)	(217,931)
At 1 January 2012	(217,592)	(199)	(140)	(217,931)
Recognised in profit and loss	(31,926)	60	206	(31,660)
Exchange differences	(103)	-	-	(103)
At 31 December 2012	(249,621)	(139)	66	(249,694)

Presented after appropriate offsetting as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Deferred tax assets	338,858	387,769	373,743
Deferred tax liabilities	(35,761)	(11,538)	(197)
	303,097	376,231	373,546

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.21 Deferred taxation (contd.)

Deferred tax assets for Identified Entities have not been recognised in respect of the following item:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Unutilised tax losses	42,715	55,290	53,745
Unabsorbed capital allowance	1,026	19,000	20,244
Unutilised investment allowances	135,512	146,903	83,946
Unutilised reinvestment allowances	2,068	2,068	2,068
Other deductible temporary differences	1,302	2,959	1,278
	182,623	226,220	161,281

The unutilised tax losses, unabsorbed capital allowances, unutilised investment allowance and unutilised reinvestment allowance of Identified Entities 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 it is not probable that future taxable profits will be available against which they may be utilised.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.22 Investment in associates

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Unquoted shares, at cost	10,093	9,388	7,246
Share of post acquisition losses	(8,528)	(8,528)	543
Translation reserve	(480)	(480)	(480)
Impairment loss	(1,085)	(212)	-
	-	168	7,309

The Identified Entities' share of revenue, profit, assets and liabilities of associates are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Revenue	32,170	94,708	74,720
Loss after tax	(24,059)	(12,862)	643
Non-current assets	1,270	19,139	14,105
Current assets	29,816	23,069	56,375
Current liabilities	(34,541)	(21,662)	(43,489)
Non current liabilities	(10,455)	(11,937)	(8,751)
Merger deficit	(10,931)	(10,931)	(10,931)
Net assets	(24,841)	(2,322)	7,309

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.22 Investment in associates (contd.)

The details of the associates are as follows:

Name of associates	Principal activities	31.12.2012 %	31.12.2011 %	30.6.2010 %
Haldia Water Management Limited[1] (Incorporated in India)	Undertaking water supply services in Haldia Development Authority Command area.	40	40	40
Syarikat Ranhill Al-Arabia[1] (Incorporated in Saudi Arabia)	Undertaking Non Revenue Water improvement project in the Kingdom Saudi Arabia.	35	35	35
Ranhill Bersekutu Sdn Bhd	Provision of engineering, procurement and construction management services (EPCM) and project management consultancy services.	50[2]	50[2]	50[2]
PLT Asia (Airport Consultants) Sdn Bhd[1]	Dormant (commenced liquidation).	30	30	30

[1] Audited by firm other than Ernst & Young, Malaysia

[2] 50% less one share

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.23 Trade and other receivables

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Current			
Trade			
Third parties (Note a)	140,205	181,537	177,594
Amounts due from related companies (Note c)	1,880	1,174	648
Amounts due from related parties (Note c)	195,798	66,205	53,110
Less: Allowance for impairment (Note a)	(32,118)	(24,606)	(27,173)
	305,765	224,310	204,179
Non-trade			
Retention sum on contracts (Note 5.4.26)	4,119	3,981	1,615
Other receivables, deposits and prepayments	21,897	9,878	6,854
Receivables from PAAB (Note b)	48,082	51,690	215,923
Accrued compensation from Federal Government	-	8,571	8,571
Receivable from the State Government of Johor	11,965	9,634	9,050
Amounts due from jointly controlled entities (Note c)	2,956	2,083	1,565
Amounts due from holding company (Note c)	1,126,288	1,043,305	137,354
Amounts due from related companies (Note c)	72	27,855	328,159
Amounts due from related parties (Note c)	18,398	18,122	1,849
Amount due from an associate (Note c)	8	-	2,590
	1,539,550	1,399,429	917,709
Less: Allowance for impairment (Note a)	(238)	(224)	(14)
Total current receivables	1,539,312	1,399,205	917,695
Non-current			
Refundable deposits	70,546	70,546	70,546
Total trade and other receivables	1,609,858	1,469,751	988,241
Add: Cash and bank balances (Note 5.4.27)	454,139	447,246	347,854
Add: Operating financial assets (Note 5.4.16)	157,719	108,198	72,920
Total loan and receivables	2,221,716	2,025,195	1,409,015

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.23 Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2011: 15 to 90 days, 2010: 15 to 90 days) terms.They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of Identified Entities' trade receivables is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Neither past due nor impaired	145,870	156,361	122,757
1 to 30 days past due not impaired	50,214	21,425	30,982
31 to 60 days past due not impaired	21,187	6,296	17,255
61 to 90 days past due not impaired	38,786	9,197	12,187
91 to 120 days past due not impaired	13,229	5,880	16,969
More than 121 days past due not impaired	36,479	25,151	4,029
	159,895	67,949	81,422
Impaired	32,118	24,606	27,173
	337,883	248,916	231,352

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 Identified Entities.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

Receivables that are past due but not impaired

Identified Entities has trade receivables amounting to RM159,895,000 as at 31 December 2012 (2011: RM67,949,000, 2010: RM81,422,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.23 Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are impaired

Identified Entities' trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Trade receivables			
- nominal amounts	137,137	105,309	125,327
Less: Allowance for impairment	(32,118)	(24,606)	(27,173)
	105,019	80,703	98,154

Movement in allowance accounts:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At beginning of financial year/period	24,606	27,173	36,766
Charge for the year/period (Note 5.4.9)	8,479	3,983	3,221
Written off	(967)	(5,117)	(4,758)
Reversal of impairment (Note 5.4.7)	-	(1,436)	(8,056)
Exchange differences	-	3	-
At end of financial year/period	32,118	24,606	27,173

(b) Receivable from PAAB

The receivable from PAAB represents capital works on water related assets and discount in the form of relief granted by PAAB over the lease rental charges payable to PAAB for the Second Operating Period. The balances with PAAB are expected to be settled within the next 12 months.

(c) Amounts due from holding company, related companies, related parties and associate

Amounts due from holding company, related companies, related parties and associate represent both trade and non-trade amounts which are unsecured, interest-free and repayable on demand.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.23 Trade and other receivables (contd.)

(c) Amounts due from holding company, related companies, related parties and associate (contd.)

It also includes SUKUK Musharakah of RM727,186,008, issued by RPSB, net of the advances received for the repayment of principal and interest, which was on-lend to the holding company for the purpose of redeeming its USD220,000,000 guaranteed notes and to complete the remaining construction of the Senai-Desaru Expressway project.

Information on the SUKUK Musharakah is disclosed in Note 5.4.30.

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

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Hong Kong Dollar	-	2	1
Ringgit Malaysia	1,585,852	1,466,850	984,021
US Dollar	17,278	2	518
Thai Baht	1,210	882	1,123
Chinese Renminbi	2,717	2,015	630
Indian Rupee	-	-	1,948
Others	2,801	-	-
	1,609,858	1,469,751	988,241

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.24 Inventories

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At cost:			
Consumables	31,790	27,130	8,945
Distillates	21,737	16,210	8,995
Raw materials	102	195	285
	53,629	43,535	18,225
At net realisable value:			
Water pipes	3,794	6,592	7,097
Water meters	1,387	1,962	2,236
Consumables	97	107	250
	5,278	8,661	9,583
	58,907	52,196	27,808

5.4.25 Other current assets

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Prepayments	12,616	14,610	25,400
Amounts due from customers on contract work (Note 5.4.26)	88,837	163,106	127,615
Less: Allowance for impairment	-	-	(450)
	101,453	177,716	152,565

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.26 Amounts due from/(to) customers on contracts

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Contract costs incurred to date	1,422,908	1,120,444	706,724
Recognised profits	271,820	277,389	179,609
	1,694,728	1,397,833	886,333
Less: Provision for foreseeable losses	(5,462)	(3,680)	-
Less: Progress billings	(1,620,484)	(1,257,819)	(774,664)
	68,782	136,334	111,669
Presented as:			
Amounts due from customers on contracts (Note 5.4.25)	88,837	163,106	127,615
Amounts due to customers on contracts (Note 5.4.33)	(20,055)	(26,772)	(15,946)
	68,782	136,334	111,669
Retention sum on contracts			
- included in trade receivables (Note 5.4.23)	4,119	3,981	1,615
- included in trade payables (Note 5.4.32)	(10,029)	(11,140)	(19,716)

5.4.27 Deposits, cash and bank balances

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Cash at banks and on hand	92,489	94,147	68,244
Short term deposits with:			
- Licensed banks	360,779	351,005	279,610
- Other financial institutions	871	2,094	-
Total deposits, cash and bank balances	454,139	447,246	347,854
Deposits pledged as securities to licensed banks	(3,446)	(3,697)	(2,312)
Restricted deposits, cash and bank balances	(227,700)	(225,770)	(111,211)
Deposits with maturities of three months or more	(2,650)	(2,885)	(12,751)
Bank overdrafts (Note 5.4.30)	(1,907)	(2,090)	(9,742)
Cash and cash equivalents	218,436	212,804	211,838

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.27 Deposits, cash and bank balances (contd.)

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

	31.12.2012	31.12.2011	30.6.2010
	%	%	%
Short term deposits with:			
Licensed banks	3.32	3.34	2.10
Other financial institution	0.25	0.23	-

Deposits with other financial institution are placed with Prudential Fund Management Berhad, a company incorporated in Malaysia.

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 Identified Entities. The weighted average interest rates per annum of short term deposits with licensed banks that were effective at reporting dates of Identified Entities are 3.07% (2011: 3.05% and 2010: 2.39%) per annum.

Included in deposits, cash and bank balances of Identified Entities are amount of RM227,700,000 (2011: RM225,770,000 and 2010: RM111,211,000), 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 5.4.30. Included also in deposits with licensed banks are amounts of RM3,446,000 (2011: RM3,697,000 and 2010: RM2,312,000) are pledged as securities for credit facilities granted to Identified Entities.

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

	31.12.2012	31.12.2011	30.6.2010
	RM'000	RM'000	RM'000
Ringgit Malaysia	446,294	434,376	338,124
US Dollar	4,934	9,871	7,594
Thai Baht	514	839	775
Chinese Renminbi	1,360	1,728	766
Indian Rupee	398	432	595
Euro	639	-	-
	454,139	447,246	347,854

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.28 Retirement benefit obligations

A subsidiary of Identified Entities 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 2012.

The movements during the financial year/period in the amount recognised in the statement of financial position in respect of Identified Entities' retirement benefit plan are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At beginning of financial year/period	50,969	43,076	39,418
Charged to profit or loss:			
Current service costs	4,454	6,317	3,025
Interest costs	4,330	5,794	2,697
Actuarial loss recognised	2,286	258	288
Past service costs	-	(699)	-
	11,070	11,670	6,010
Benefits paid	(3,326)	(3,777)	(2,352)
At end of financial year/period	58,713	50,969	43,076
Representing:			
Current liabilities	4,664	1,755	2,245
Non-current liabilities	54,049	49,214	40,831
	58,713	50,969	43,076

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:

	31.12.2011 %	31.12.2011 %	30.6.2010 %
Discount rate	5.8	5.8	6.0
Expected rate of salary increases	6.0	6.0	5.0

The amount recognised in the statements of financial position is analysed as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Present value of unfunded obligations	81,647	76,189	50,357
Unrecognised actuarial loss	(22,934)	(25,220)	(7,281)
Liability recognised in the statement of financial position	58,713	50,969	43,076

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.29 Finance lease payables

Identified Entities has finance leases for certain items of plant and equipment (Note 5.4.13).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Minimum lease payments:			
- Within one year	780	647	912
- Between two to five years	1,148	1,114	1,495
- More than five years	149	-	36
Total minimum lease payments	2,077	1,761	2,443
Less: Amounts representing finance charges	(163)	(128)	(206)
Present value of minimum lease payments	1,914	1,633	2,237
Present value of payments:			
- Within one year	702	580	816
- Between two to five years	1,066	1,053	1,385
- More than five years	146	-	36
Present value of minimum lease payments	1,914	1,633	2,237
Less: Amount due within 12 months	(702)	(580)	(816)
Amount due after 12 months	1,212	1,053	1,421

	31.12.2012 %	31.12.2011 %	30.6.2010 %
Effective interest rates:			
- Hire purchase	5.06	5.09	6.60
- Finance lease	4.45	5.09	6.60

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Current			
Secured:			
Term loan 1	1,137	1,156	821
Term loan 2	19	77	77
Term loan 3	916	795	386
Term loan 4	500	-	-
Term loan 6	33	-	-
Term loan 7	80	-	-
Term loan 8	173	-	-
Term loan 9	-	-	334
Obligation under finance lease	43	40	-
Islamic Medium Term Notes ("iMTN")	55,038	54,673	55,000
Musharakah Medium Term Notes ("mMTN")	7,970	-	-
SUKUK Musharakah ("SUKUK")	2,163	-	-
Bank overdrafts	1,907	2,090	2,161
Bankers' acceptances	2,342	4,756	3,631
Revolving credits	-	1,500	2,000
	72,321	65,087	64,410
Unsecured:			
Bank overdrafts	-	-	7,581
Revolving credits	-	-	12,000
	-	-	19,581
Total short term borrowings	72,321	65,087	83,991

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Non-current			
Secured:			
Term loan 1	1,889	3,049	4,695
Term loan 2	-	19	108
Term loan 3	3,690	4,661	5,869
Term loan 4	13,550	10,907	-
Term loan 5	13,361	8,571	-
Term loan 6	209	164	-
Term loan 7	495	55	-
Term loan 8	19,074	-	-
Obligation under finance lease	188	232	-
Islamic Medium Term Notes ("iMTN")	324,203	381,113	436,901
Musharakah Medium Term Notes ("mMTN")	699,979	705,455	-
SUKUK Musharakah ("SUKUK")	767,920	767,560	-
Commodity Murabahah Term financing-i	-	-	377,663
Conventional Syndicated Term loan	-	-	61,146
	1,844,558	1,881,786	886,382
Unsecured:			
Convertible unsecured loan stocks ("CULS")	10,540	10,443	10,672
Total long term borrowings	1,855,098	1,892,229	897,054
Total borrowings	1,927,419	1,957,316	981,045

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

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

	Repayment Maturity	31.12.2012 %	31.12.2011 %	30.6.2010 %
Secured				
Term loan 1	2007 - 2015	5.88	5.88	4.85
Term loan 2	2004 - 2013	8.00	8.00	7.05
Term loan 3	2009 - 2017	6.55	7.05	5.94
Term loan 4	2012 - 2021	6.55	6.40	-
Term loan 5	2014 - 2021	7.86	-	-
Term loan 6	2012 - 2019	7.88	7.88	-
Term loan 7	2012 - 2019	7.88	7.88	-
Term loan 8	2013 - 2022	7.86	7.05	-
Term loan 9	2010	-	-	7.00
Obligation under finance lease	2011 - 2017	6.96	6.96	-
Islamic Medium Term Notes ("iMTN")	2011 - 2019	7.00	7.00	7.00
Musharakah Medium Term Notes ("mMTN")	2013 - 2029	6.30	6.30	-
SUKUK Musharakah ("SUKUK")	2013 - 2026	7.62	7.62	-
Commodity Murabahah Term Financing-i	2012	-	-	8.58
Conventional Syndicated Term Loan	2012	-	-	8.25
Bank overdrafts	On demand	7.42	8.10	6.80
Revolving credits	On demand	-	4.93	6.50
Unsecured				
Convertible unsecured loan stocks ("CULS")	2019	15.28	15.28	12.50

The remaining maturities of the loans and borrowings at reporting date are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Maturity of borrowings:			
- Within one year	72,321	65,087	83,991
- Between one to two years	85,891	65,110	58,597
- Between two to five years	407,769	342,183	208,927
- More than five years	1,361,438	1,484,936	629,530
Total borrowings	1,927,419	1,957,316	981,045

The currency exposure profiles of borrowings are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Ringgit Malaysia	1,872,056	1,927,680	969,090
Thai Baht	4,079	4,606	5,515
China Renminbi	51,265	24,934	6,255
US Dollar	19	96	185
Total borrowings	1,927,419	1,957,316	981,045

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

Term loans

The term loans are secured by way of the following:

(i) Term loan 1
Assignment of proceeds, the conditional assigment of concession agreement, the machinery mortgage, the pledge of machinery and the guarantee.

(ii) Term loan 2
By proportionately guaranteed of a jointly controlled entity of RUSB Group.

(iii) Term loan 3
A project's land and an assignment of receivables from customers by a jointly controlled entity of RUSB Group.

(iv) Term loan 4
Guaranteed by a corporate guarantee facility provided by an external party and an assignment of its receivables from customers by a jointly controlled entity of RUSB Group.

(v) Term loan 5
A project's land, an assignment of receivables from customers and a guarantee by a jointly controlled entity of RUSB Group.

(vi) Term loan 6
Guaranteed by a machinery of a jointly controlled entity of RUSB Group and an assignment of receivables from customers.

(vii) Term loan 7
Guaranteed by a corporate guarantee facility provided by an external party of a jointly controlled entity of RUSB Group.

(viii) Term loan 8
An assignment of receivables from customers by a jointly controlled entity of RUSB Group.

Obligation under finance lease

The obligation is secured by a charge over the leased asset as disclosed in Note 5.4.13.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

Islamic Medium Term Notes ("iMTN")

On 27 June 2005, a subsidiary of RPSB Group, 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 followings:

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of its subsidiary;

(ii) an assignment of all the rights, title, interest and benefit of its subsidiary 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 its subsidiary in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of its subsidiary 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 licences and permits (to the extent that the licences and permits are assignable and no further consents are required to be obtained for such assignment)
- applicable insurance policies
- performance bonds/guarantees

The major covenants that are required to be complied by its subsidiary 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;

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

Islamic Medium Term Notes ("iMTN") (contd.)

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

(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 RPSB.

Musharakah Medium Term Notes ("mMTN")

On 17 June 2011, a subsidiary of RPSB Group, 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 its subsidiary; 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.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

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

The mMTN is secured over the followings:

Tranche 1

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of its subsidiary;

(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 its subsidiary in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of its subsidiary 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 licences and permits (to the extent that the licences 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 its subsidiary.
- 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 its subsidiary of the nominal value of each series of the Tranche 2.

The major covenants that are required to be complied by its subsidiary 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;

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

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

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

(iii) to maintain a minimum requirement reserve in FSRA and Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(iv) Cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

SUKUK Musharakah ("SUKUK")

On 2 June 2011, RPSB issued RM800,000,000 nominal value SUKUK under the Syariah principal of Musharakah. The Sukuk was issued for the following purpose:

(i) to on-lend RM690,000,000 to its holding company, Ranhill Berhad, to finance the redemption of the USD220,000,000 guaranteed notes;

(ii) to fund the FSRA requirement of RM58,000,000, being the first guarantee fee payable and the expenses and costs incurred in relation to the establishment of the SUKUK; and

(iii) to on-lend the remaining to RB to complete the construction of the Senai-Desaru Expressway project undertaken by a related company of RPSB.

The SUKUK has a tenure of up to15 years from the date of first issuance and is issued in 2 tranches as follows:

Tranche 1
RM300,000,000 nominal value comprising of 7 series of annual redemption maturing annually from 2 to 8 years. The Yield-to-Maturity ranges from 3.75% to 4.65% per annum, and is repayable semi-annually.

Tranche 2
RM500,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 9 to 14 years. The Yield-to-Maturity ranges from 4.80% to 5.45% per annum, and is repayable semi-annually.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

SUKUK Musharakah ("SUKUK") (contd.)

The SUKUK is secured over the followings:

RPSB

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RPSB;

(ii) a legal charge and assignment of all the rights, benefits and interest of RPSB in and to the Designated Accounts opened by RPSB; and

(iii) assignment (by way of security of) on all rights, interest and benefit of RPSB for the following:
- over all its proceeds such as dividend income, advances and capital returns from its subsidiaries, including any claims for damages in respect of failure to pay the proceeds;
- in pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned to the Security Agent and to enforce such rights in the name of the Security Agent of RPSB;

RUSB

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RUSB; and

(ii) assignment (by way of security of) on all rights, interest and benefit of RUSB for the following:
- over all its dividend income, advances and capital returns and an undertaking from its subsidiary to deposit such dividend income and capital returns to RB-Revenue Account directly;
- in pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned to the Guarantor and to enforce such rights in the name of the Guarantor of RPSB;

The holding company - Ranhill Berhad ("RB")

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RB;

(ii) a legal charge and assignment of all the rights, benefits and interest of RB in and to the Designated Accounts opened by RB;

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

SUKUK Musharakah ("SUKUK") (contd.)

The holding company - Ranhill Berhad ("RB") (contd.)

(iii) assignment (by way of security of) on all rights, interest and benefit of RB for the following:

- over all its proceeds such as dividend income, advances and capital returns from RPSB; including any claims for damages in respect of failure to pay the proceeds;
- in pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned to the Guarantor and to enforce such rights in the name of the Guarantor of RB;

(iv) personal guarantee from Tan Sri Hamdan Mohamad;

(v) irrevocable and unconditional guarantee by RUSB and RB (collectively known as the Corporate Guarantors);

(vi) third party first priority legal charge over Senai Desaru Expressway Berhad's ("SDEB") Irredeemable Convertible Unsecured Loan Stocks ("ICULS") or any securities issued in replacement of the ICULS directly held or to be held by RB;

(vii) third party first priority legal charge over all the shares owned by RB in RPSB, RUSB, RBSB and a subsidiary of RUSB (collectively known as the Collateral Share Issuers);

(viii) third party first priority legal charge over any other shares or other equity or equity-linked securities issued by the Collateral Share Issuers or SDEB held or to be held by RB; and

(ix) any other collateral as may be advised by the Legal Counsel to be agreed by the Guarantors and the Obligor.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.30 Borrowings (contd.)

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 a subsidiary of RPSB Group. CULS converted before anniversary date will not be entitled to the annual interest;

(c) Conversion in part or in whole is allowed before maturity date, subject to adherence to the subsidiary'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.

5.4.31 Zakat liability

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
At beginning of financial year/period	4,191	2,037	2,037
Charged to profit or loss	1,968	3,336	-
Zakat paid	(1,824)	(1,182)	-
At end of financial year/period	4,335	4,191	2,037

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.32 Trade and other payables

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Current			
Trade payables (Note a)	127,169	129,146	109,808
Trade accruals	135	70	718
Other payables	140,693	102,576	95,096
Accrued operating expenses	64,479	51,461	22,335
Capital expenditure payables	-	49	49
Deposits	1,241	1,690	828
Rental billed in advance	376	409	277
Interest payables	-	-	68
Retention sum on contracts (Note c)	9,460	2,133	12,068
Amounts due to holding company (Note b)	57,682	62,198	510,493
Amounts due to related companies (Note b)	264	-	-
Amounts due to related parties (Note b)	39,259	37,797	56,303
Amounts due to jointly controlled entities (Note b)	496	307	595
Provision for retirement benefits	-	-	54
Deferred liability (Note d)	-	-	44,631
Total trade and other payables	441,254	387,836	853,323
Non-Current			
Retention sum on contracts (Note c)	569	9,007	7,648
	441,823	396,843	860,971
Add: Finance lease liabilities (Note 5.4.29)	1,914	1,633	2,237
Add: Borrowings (Note 5.4.30)	1,927,419	1,957,316	981,045
Add: Consumer deposits (Note 5.4.35)	141,485	141,298	127,142
Total financial liabilities carried at amortised cost	2,512,641	2,497,090	1,971,395

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.32 Trade and other payables (contd.)

(a) Trade payables

Credit terms of trade payables granted to Identified Entities vary from 30 to 365 days (2011: 30 to 365 days and 2010: 30 to 365 days).

(b) Amounts due to holding company, related parties and jointly controlled entities

These amounts are unsecured, interest free and repayment on demand.

(c) Rentention sums payables

Retention sums on contracts are payable upon the expiry of the defects liability period of the construction contract. Retention sums are unsecured, interest-free and are expected to be paid within 1 to 2 years.

(d) Deferred liability

Deferred liability represents purchase of treated water from Public Utilities Board Singapore ("PUB"), a statutory board under the Ministry of the Environment and Water Resources of Singapore, which were unsecured, interest free and payable on demand.

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

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Ringgit Malaysia	419,807	384,298	850,728
US Dollar	472	6,568	5,728
Euro Dollar	-	-	48
Thai Baht	650	1,144	1,128
Chinese Renminbi	9,220	4,769	3,303
Hong Kong Dollar	600	28	8
Indian Rupee	119	36	28
Singapore Dollar	250	-	-
GP Pound	9	-	-
Australian Dollar	9,173	-	-
Others	1,523	-	-
	441,823	396,843	860,971

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.33 Other current liability

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Amounts due to customers on contract work (Note 5.4.26)	20,055	26,772	15,946

5.4.34 Service concession obligations

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Minimum lease payments:			
- Within one year	176,040	117,360	167,200
- Between two to five years	176,040	-	205,920
Total minimum lease payments	352,080	117,360	373,120
Less: Amounts representing finance charges	(15,809)	(1,934)	(18,488)
Present value of minimum lease payments	336,271	115,426	354,632
Present value of payments:			
- Within one year	164,402	115,426	154,316
- Between two to five years	171,869	-	200,316
Present value of minimum lease payments	336,271	115,426	354,632
Less: Amount due within 12 months	(164,402)	(115,426)	(154,316)
Amount due after 12 months	171,869	-	200,316

Service concession obligations represent the fair value of the lease payable to PAAB based on terms and conditions of the Master Agreement and Facility Agreement explained in Note 5.4.17.

5.4.35 Consumer deposits

Consumer deposits include deposits assumed from Syarikat Air Johor Sdn. Bhd. ("SAJSB"), the former water operator pursuant to the Concession Agreement amounting to RM70,546,000.

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 5.4.23).

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.36 Information on subsidiaries

Name	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Ranhill Utilities Sdn Bhd	Malaysia	70	70	70	Investment holding, provision of management consultancy and technical support services to its subsidiaries.
Ranhill Power Sdn Bhd	Malaysia	100	100	100	Investment holding and provision of management services to its subsidiaries.
Ranhill WorleyParsons Sdn Bhd	Malaysia	51	51	51	Provision of engineering, procurement and construction management, supervision, ancillary services.
RB Ventures Sdn Bhd	Malaysia	100	100	100	Property investment holding.
Held by Ranhill Utilities Sdn Bhd					
SAJ Holdings Sdn Bhd [2]	Malaysia	80	80	80	Abstaction 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 arrangment to operating services arrangement.
Ranhill Water Services Sdn Bhd	Malaysia	100	100	100	Providing and carrying on project management consultancy services relating to both domestic and overseas water-related projects.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.36 Information on subsidiaries (contd.)

Name	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Utilities Sdn Bhd (contd.)					
Ranhill Utilities (Thailand) Limited [1,3]	Thailand	100	100	-	Expanding the company's water related business activities and to undertake water related projects in Thailand.
Held by Ranhill Water Services Sdn Bhd					
Ranhill Arabco Water Sdn Bhd	Malaysia	80	80	-	Project management consultancy services relating to both domestic and overseas water related projects.
Premier Water Services Sdn Bhd	Malaysia	60	-	-	Provision, operation, management, improvement and upgrading of the water advanced pressure management in relation to non revenue water related business or activities.
Held by Ranhill Power Sdn Bhd					
Ranhill Powertron Sdn Bhd	Malaysia	60	60	60	Independent power producer.
Ranhill Powertron II Sdn Bhd	Malaysia	80	80	100	Independent power producer.
Ranhill Power O&M Sdn Bhd	Malaysia	60	60	60	Operation and maintenance services for power plant.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.36 Information on subsidiaries (contd.)

Name	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Power Sdn Bhd					
Ranhill Power II O&M Sdn Bhd	Malaysia	80	80	100	Operation and maintenance services for power plant.
Ranhill Trans Bakti Sdn Bhd	Malaysia	100	100	100	Dormant company.

1 Audited by firms other than Ernst & Young, Malaysia
2 Legal transfer of shares to the Johor State Government is in progress
3 51% held through local proxy

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.37 Information on jointly controlled entities

Name of jointly controlled entities	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Utilities Sdn Bhd					
Ranhill Water Technologies (Cayman) Ltd	Cayman Island, United States of America	52	52	52	Investment holding 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.
Held by Ranhill Water Technologies (Cayman) Ltd					
Ranhill Water (Hong Kong) Ltd [1]	Hong Kong	100	100	100	Undertaking investment holding activities and provision of consultancy services, project management, operation and maintenance services relating to wastewater treatment plants.
Ranhill Water Technologies Sdn Bhd	Malaysia	100	100	100	Investment holding 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.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.37 Information on jointly controlled entities (contd.)

Name of jointly controlled entities	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Water (Hong Kong) Limited					
Ranhill (Nanchang) Waste Water Treatment Co Ltd [1]	China	100	100	100	Undertaking wastewater treatment services for Xiao Lan Economic Development Zone.
Ranhill (Hefei) Wastewater Treatment Co Ltd [1]	China	100	100	100	Undertaking wastewater treatment services for Hefei Chemical Industrial Park.
Ranhill (Xinxiang) Wastewater Treatment Co Ltd[1]	China	100	100	100	Undertaking wastewater treatment services for Xin Xiang Industrial Park.
Ranhill (Yingkou) Wasterwater Treatment Co Ltd [1]	China	100	100	100	Undertaking wastewater treatment services for Yingkou Economic & Technology Development Zone.
Ranhill Water Technologies (Shanghai) Ltd [1]	China	100	100	100	Undertaking consultancy services on potable water, wastewater technologies and project management.
Pinang Water Ltd ("PWL") [1]	Labuan, Malaysia	37	37	-	Construction water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.37 Information on jointly controlled entities (contd.)

Name of jointly controlled entities	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Water (Hong Kong) Limited (contd.)					
Ranhill International Trade (Hong Kong) Inv Ltd	Hong Kong	51	-	-	Undertaking investment holding activities and provision of consultancy, project management, operation and maintenance services relating to potable water treatment plants.
Held by Ranhill Water Technologies Sdn Bhd					
AnuRAK Water Treatment Facilities Co Ltd [1]	Thailand	100	100	100	Undertaking potable water, wastewater and reclaimed water treatment services for domestic and industrial use.
Ranhill Water Technologies (Thai) Ltd [1]	Thailand	100	100	100	Undertaking consultancy, project management, engineering supply construction and operation for potable and wastewater treatment plant.
KWI (Guangzhou) Environmental Engineering Technology Co Ltd [1]	China	51	51	51	Ceased operations.
Top Zone Solutions Sdn Bhd	Malaysia	100	100	100	Carrying on business to act as merchants, general trades, commission of builders.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.37 Information on jointly controlled entities (contd.)

Name of jointly controlled entities	Country of incorporation	Effective equity interest (%) 31.12.2012	31.12.2011	30.6.2010	Principal activities
Held by Ranhill Water Technologies Sdn Bhd (contd.)					
Pinang Water Ltd ("PWL") [1]	Labuan, Malaysia	-	-	37	Construction water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.
Held by Pinang Water Ltd					
YiChun Pinang Water Co Ltd [1]	China	100	100	100	Undertaking water treatment management and supply of treated water.
Held by Ranhill Bersekutu Sdn Bhd					
Ranhill Bersekutu Saudi Ltd [1]	Malaysia	50	50	50	Executive of contracts of industrial and civil establishment, management and operation.
Held by Ranhill Worley Parsons Sdn Bhd					
Transfield Services WorleyParsons JV (M) Sdn Bhd [1]	Malaysia	33.5	33.5	33.5	Provision of advisory and consultancy services, maintenance, procurement and project operations and management services.

1 Audited by firm other than Ernst & Young, Malaysia

During the financial period 31 December 2011, Ranhill Water Technologies Sdn Bhd disposed off its entire interest in Pinang Water Ltd. to its fellow subsidiary company, Ranhill Water (Hong Kong) Ltd. The effects of the reorganisation had no material impact to RUSB Group.

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.38 Dividends per ordinary share

Dividend declared or proposed in respect of the relevant financial year/period is as follows:

				Amount of dividend, net of tax		
	31.12.2012 sen	31.12.2011 sen	30.6.2010 sen	31.12.2012 RM'000	30.12.2011 RM'000	30.6.2010 RM'000
- Interim dividend on 8,800,606 ordinary shares	0.70	-	-	6,161	-	-
- Interim dividend on 8,800,606 ordinary shares	1.00	205.00	165.00	8,800	18,041	14,521
- Interim dividend on 8,800,606 ordinary shares	1.00	102.00	437.00	8,800	8,977	38,427
- Interim dividend on 294,500,000 ordinary shares	3.39	-	-	10,000	-	-
- Interim dividend on 294,500,000 ordinary shares	3.39	-	-	10,000	-	-
- Interim dividend on 294,500,000 ordinary shares	1.69	-	-	5,000	-	-
- Interim dividend on 294,500,000 ordinary shares	3.39	-	-	10,000	-	-
- Interim dividend on 294,500,000 ordinary shares	2.37	-	-	7,000	-	-
- Interim dividend on 294,500,000 ordinary shares	3.39	-	1.70	10,000	-	5,000
- Interim dividend on 294,500,000 ordinary shares	2.95	7.47	204.00	8,700	22,000	600,000
- Interim dividend on 294,500,000 ordinary shares	3.39	6.45	13.58	10,000	19,000	40,000
- Interim dividend on 294,500,000 ordinary shares	1.69	6.79	20.37	5,000	20,000	60,000
- Interim dividend on 294,500,000 ordinary shares	3.39	2.21	16.30	10,000	6,500	48,000
- Interim dividend on 294,500,000 ordinary shares	3.39	3.06	1.19	10,000	9,000	3,500

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.38 Dividends per ordinary share (contd.)

				Amount of dividend, net of tax		
	31.12.2012 sen	31.12.2011 sen	30.6.2010 sen	31.12.2012 RM'000	30.12.2011 RM'000	30.6.2010 RM'000
- Interim dividend on 294,500,000 ordinary shares	3.39	13.58	4.31	10,000	40,000	12,700
- Interim dividend on 294,500,000 ordinary shares	3.39	11.88	6.93	20,000	35,000	20,400
- Interim dividend on 200,000 ordinary shares	-	200.00	500.00	-	400	1,000
- Interim dividend on 4,000,000 ordinary shares	-	-	400.00	-	-	16,000
- Interim dividend on 200,000 ordinary shares	-	200.00	-	-	400	-
- Interim dividend on 200,000 ordinary shares	-	400.00	-	-	800	-
- Interim dividend on 10,000,000 ordinary shares	48.00	-	-	4,800	-	-
- Interim dividend on 500,000 ordinary shares	466.00	-	-	2,330	-	-
- Interim dividend on 20,000,000 ordinary shares	63.00	-	-	12,500	-	-
				169,091	180,118	859,548

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.39 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.

The related parties and their relationship with Identified Entities are as follows:

Related parties	Relationship
Ranhill Berhad	The holding company and a Director's related corporation
Ranhill Corporation Sdn Bhd	A substantial shareholder of Ranhill Berhad
Ranhill Engineers and Constructors Sdn Bhd	A wholly owned subsidiary of Ranhill Berhad
Ranhill International Inc.	A wholly owned subsidiary of Ranhill Berhad
Ranhill Global Systems Sdn Bhd	A wholly owned subsidiary of Ranhill Berhad
Ranhill Energy Corporation Sdn Bhd	A wholly owned subsidiary of Ranhill Berhad
Ranhill Consulting Sdn Bhd	Common director and a shareholder
Senai Desaru Expressway Berhad	Common director and a shareholder
Sabah Energy Corporation Sdn Bhd	Corporate shareholder of partially owned subsidiaries
Ranhill Petroneeds JV	A jointly controlled entity of Ranhill Berhad
WorleyParsons Group Inc - Houston	Related companies of a corporate shareholder
WorleyParsons Services Pty Ltd (Australia)	Related companies of a corporate shareholder
WorleyParsons Qatar WLL	Related companies of a corporate shareholder
WorleyParsons Europe	Related companies of a corporate shareholder
WorleyParsons Pte Ltd	Related companies of a corporate shareholder
WorleyParsons Services Sdn Bhd	Related companies of a corporate shareholder
WorleyParsons Sdn Bhd	Related companies of a corporate shareholder
Maison WorleyParsons Engineering & Technology Co Ltd	Related companies of a corporate shareholder
WorleyParsons HK Ltd	Related companies of a corporate shareholder
PT Ceria Worley - Indonesia	Related companies of a corporate shareholder

Tan Sri Hamdan Mohamad, who is a director and a substantial shareholder of Ranhill Berhad is also a substantial shareholder and a director of Ranhill Corporation Sdn Bhd, Ranhill Consulting Sdn Bhd and Senai Desaru Expressway Berhad.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.39 Significant related party disclosures (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
(a) Work performed on infrastructure assets and consultancy fees charged to/(by):			
- Ranhill Global Systems Sdn Bhd	(274)	(72)	-
- Ranhill Corporation Sdn Bhd	(391)	(30,556)	(78,070)
- Ranhill Consulting Sdn Bhd	-	(77)	(1,858)
- Ranhill Engineers and Constructors Sdn Bhd	585	1,986	2,954
(b) Rental of office charged to/(from):			
- Ranhill Berhad	1,512	2,677	1,762
- Ranhill Engineers and Constructors Sdn Bhd	384	1,046	1,040
- Ranhill Global Systems Sdn Bhd	221	193	25
- Senai Desaru Expressway Berhad	-	28	191
- Ranhill Bersekutu Sdn Bhd	1,963	3,006	1,639
- RB Ventures Sdn Bhd	(269)	(468)	(568)
(c) Services rendered to/(from):			
- Ranhill International Inc.	-	21	2,823
- Perunding Ranhill Worley Sdn Bhd	609,393	506,056	232,449
- WorleyParsons Group Inc - Houston	-	3,220	1,290
- WorleyParsons Services Pty Ltd (Australia)	25,424	17,947	16,202
- WorleyParsons Qatar WLL	508	72	231

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.39 Significant related party disclosures (contd.)

	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
(c) Services rendered to/(from) (contd.):			
- WorleyParsons Europe	1,101	6,063	13,273
- Perunding Ranhill Worley Sdn Bhd	-	(21,303)	(8,584)
- WorleyParsons Pte Ltd	(2,811)	(1,713)	(1,136)
- WorleyParsons Services Pty Ltd (Australia)	(7,423)	(32,304)	(9,774)
- WorleyParsons Services Sdn Bhd	(50,455)	(31,650)	(20,726)
- WorleyParsons Sdn Bhd	(14)	(8,439)	(4,795)
- Maison WorleyParsons Engineering & Technology Co Ltd	-	-	(1,440)
- WorleyParsons Group Inc - Houston	(860)	-	(1,651)
- WorleyParsons HK Ltd	(893)	(567)	(1,308)
- PT Ceria Worley - Indonesia	(333)	(312)	(97)
(d) Borrowings and interest			
- Ranhill Berhad	-	732,676	-
- Sabah Energy Corporation Sdn Bhd	1,450	2,175	1,450

Information regarding the outstanding balance arising from related party transactions as mentioned above are disclosed in Notes 5.4.23 and 5.4.32.

(e) Key management compensation

The remuneration of the key management personnel who are the Directors of Identified Entities are disclosed in Note 5.4.11.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.40 Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Approved and contracted for	-	2,848	83,616
Approved but not contracted for	327	9,704	18,248
	327	12,552	101,864
Analysed as follows:			
Power station	-	842	-
Plant and machineries	327	11,710	101,864
	327	12,552	101,864

(b) Operating lease commitments – as lessee

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

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Non-cancellable rental commitments			
Future minimum rentals payable:			
- Within one year	18,424	20,045	15,567
- Between one and five years	7,969	10,193	11,379
	26,393	30,238	26,946

(c) Operating lease commitments – as lessor

Identified Entities has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market condition.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.40 Commitments (contd.)

(c) Operating lease commitments – as lessor (contd.)

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

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Future minimum rentals receivables:			
- Within one year	3,802	4,897	2,596
- Between one and five years	67	3,672	-
	3,869	8,569	2,596

(d) Finance lease commitments – as lessee

Identified Entities has finance leases for certain items of plant and equipment as disclosed in Note 5.4.13 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 5.4.29 to the financial statements.

(e) Finance lease commitments – as lessor

Identified Entities has a finance lease for a power plant of which the future minimum lease receivables together with the present value of the net minimum lease receivables are disclosed in Note 5.4.20.

5.4.41 Contingent liabilities

	31.12.2012 RM'000	31.12.2011 RM'000	30.6.2010 RM'000
Unsecured:			
Performance guarantee given for execution of contracts	14,802	13,506	19,907
Bank guarantee facilities given to third parties	42,657	57,311	43,698
	57,459	70,817	63,605

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.42 Fair value of financial instruments

A. Financial instruments that are measured at fair value

Identified Entities 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
31 December 2012				
Financial assets				
- Derivatives	-	35	-	35
- Islamic Managed Funds	-	43,519	-	43,519
31 December 2011				
Financial liabilities - derivatives	-	(1,612)	-	(1,612)

There are no financial instruments measured at fair value as at 30 June 2010.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.42 Fair value of financial instruments (contd.)

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Carrying amount RM'000	Fair value RM'000
31 December 2012			
Non-current			
Financial asset			
Finance lease receivable	5.4.20	699,831	862,149
Financial liabilities			
Islamic Medium Term Notes ("iMTN")	5.4.30	324,203	320,399
Musharakah Medium Term Notes ("mMTN")	5.4.30	699,979	707,622
SUKUK Musharakah ("SUKUK")	5.4.30	767,920	784,526
Convertible unsecured loan stocks ("CULS")	5.4.30	10,540	15,926
31 December 2011			
Non-current			
Financial asset			
Finance lease receivable	5.4.20	730,261	900,051
Financial liabilities			
Islamic Medium Term Notes ("iMTN")	5.4.30	381,113	375,619
Musharakah Medium Term Notes ("mMTN")	5.4.30	705,455	705,605
SUKUK Musharakah ("SUKUK")	5.4.30	767,560	772,265
Convertible unsecured loan stocks ("CULS")	5.4.30	10,443	16,174
30 June 2010			
Financial liabilities			
Islamic Medium Term Notes ("iMTN")	5.4.30	436,901	430,791
Convertible unsecured loan stocks ("CULS")	5.4.30	10,672	10,321

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.42 Fair value of financial instruments (contd.)

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.

5.4.43 Financial risk management objectives and policies

Identified Entities is 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.

Identified Entities reviews and agrees policies and procedures for the management of these risks to minimise the potential adverse effects of these risks on the financial performance of Identified Entities.

It is, and has been throughout the current financial period and previous financial year, Identified Entities' policy that no derivatives shall be undertaken except for the use as hedging instruments. Identified Entities does not apply hedge accounting.

The following sections provide details regarding Identified Entities' exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.43 Financial risk management objectives and policies (contd.)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Identified Entities' exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), Identified Entities minimises credit risk by dealing exclusively with high credit rating counterparties. In addition, receivable balances are monitored on an ongoing basis with the result that Identified Entities' exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the reporting date, Identified Entities' maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM830,032,000 (2011: RM842,064,000 and 2010: RM6,906,000) relating to corporate guarantees provided by Identified Entities to banks on subsidiaries', a jointly controlled entity and a related company's banking facilities.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 5.4.23.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.43 Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Credit risk concentration profile

Identified Entities determines concentrations of credit risk by monitoring the country profile of its trade and other receivables on an ongoing basis. The credit risk concentration profile of Identified Entities' trade and other receivables at the reporting date are as follows:

	RM'000	% of total
2012		
Malaysia	1,585,852	99%
People's Republic of China	2,717	0%
United States	17,278	1%
Thailand	1,210	0%
Other countries	2,801	0%
	1,609,858	100%
2011		
Malaysia	1,466,850	100%
People's Republic of China	2,015	0%
Thailand	882	0%
Other countries	4	0%
	1,469,751	100%
2010		
Malaysia	984,021	100%
People's Republic of China	630	0%
Thailand	1,123	0%
India	1,948	0%
Other countries	519	0%
	988,241	100%

5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.43 Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Credit risk concentration profile (contd.)

At the reporting date, approximately:

- 20% (2011: 29%, 2010: 22%) of Identified Entities' trade receivables were due from electricity revenue customers.
- 70% (2011: 56%, 2010: 67%) of Identified Entities' trade receivables were due from water revenue customers.
- 10% (2011: 16%, 2010: 12%) of Identified Entities' trade receivables were due from engineering services customers.
- 84% (2011: 78%, 2010: 52%) of Identified Entities' trade and other receivables were due from related parties, related companies and holding company.

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 5.4.23. Deposits with banks and other financial institutions, investment securities and derivatives 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 5.4.23.

(b) Liquidity risk

Liquidity risk is the risk that Identified Entities will encounter difficulty in meeting financial obligations due to shortage of funds. Identified Entities' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Identified Entities' objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The maturity profile of Identified Entities' liabilities at the reporting date are disclosed in Note 5.4.30.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.43 Financial risk management objectives and policies (contd.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of Identified Entities' financial instruments will fluctuate because of changes in market interest rates.

Identified Entities' exposure to interest rate risk arises primarily from loans and borrowings.

Identified Entities' policy is to manage interest cost using a mix of fixed and floating rate instruments with regards to these loans and borrowings.

Identified Entities has no significant interest-bearing financial assets, Identified Entities' income and operating cash flows are substantially independent of changes in market interest rates. Identified Entities' 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 Identified Entities' profit net of tax would have been RM1,946,224 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, 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.

Identified Entities is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in currencies other than its functional currency. Identified Entities has a natural hedge to the extent that payment for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intergroup arrangements and settlements.

Identified Entities also requires some of its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after these entities have entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is Identified Entities' policy not to enter into forward contracts until a firm commitment is in place.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.43 Financial risk management objectives and policies (contd.)

(d) Foreign currency risk (contd.)

Approximately 10% (2011: 9% and 2010: 10%) of Identified Entities' sales are denominated in foreign currencies whilst almost 5% (2011: 5% and 2010: 5%) of costs are denominated in the respective functional currencies of Identified Entities entities. Further details on the exposures arising from Identified Entities' trade receivable and trade payable balances at the reporting date are disclosed in Notes 5.4.23 and 5.4.32.

Identified Entities also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amount to RM7,845,000 (2011: RM12,870,000 and 2010: RM9,730,000). Further details are disclosed in Note 5.4.27.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of Identified Entities' profit net of tax to a reasonably possible change in the USD and RMB exchange rates against the respective functional currencies of Identified Entities, with all other variables held constant.

		2012 RM'000 Profit net of tax	2011 RM'000 Profit net of tax	2010 RM'000 Profit net of tax
USD/RM	- strengthened 3% (2011: 3% and 2010: 6%)	133	370	623
	- weakened 3% (2011: 3% and 2010: 6%)	(133)	(370)	(623)
RMB/RM	- strengthened 3% (2011: 3% and 2010: 3%)	178	192	106
	- weakened 3% (2011: 3% and 2010: 3%)	(178)	(192)	(106)

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.44 Capital management

The primary objective of Identified Entities' capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Identified Entities manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Identified Entities 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 period and year ended 31 December 2012, 31 December 2011 and 30 June 2010.

As disclosed in Note 5.4.30, two subsidiaries of Identified Entities 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, for the financial period and years ended 31 December 2012, 31 December 2011 and 30 June 2010.

5.4.45 Segmental information

For management purposes, the Identified Entities are 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, Identified Entities have 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, Identified Entities also have various water and wasterwater concessions in relation to water treament and wastewater treatment plants outside Malaysia.

ii) In the power sector, Identified Entities own 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. Identified Entities have entered into Power Purchase Agreements with Sabah Electricity Sdn Bhd, a subsidiary of Tenaga Nasional Berhad, to sell up to 380 MV of electricity generating capacity and electricity production for a 21-year period.

iii) The oil and gas sector provides multi-disciplinary engineering services to onshore and offshore oil and gas, refinery and petrochemical industries.

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.)

iv) The others segment is primarily involved in renting of premises and office furnishing to entities within Identified Entities.

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.

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Audited historical financial information (contd.)

Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.)

Business Segments

The following table provides an analysis of Identified Entities's revenue, results, assets, liabilities and other information by business segment:

	Environment RM'000	Power RM'000	Oil and Gas RM'000	Others RM'000	Elimination RM'000	Note	Combined RM'000
31 December 2012							
Revenue							
Sales to external customers	866,832	355,720	758,374	5,114	-		1,986,040
Inter-segment sales	-	-	-	-	(847)	A	(847)
Total revenue	866,832	355,720	758,374	5,114	(847)		1,985,193
Results:							
Gross profit	274,893	116,361	198,943	610	(818)	A	589,989
Interest income	13,638	63,731	-	-	-		77,369
Depreciation	24,229	12,793	5,680	132	-		42,834
Amortisation	157,536	-	-	-	-		157,536
Other non-cash items	10,301	(55,930)	8,596	-	60	B	(36,973)
Segment profit	210,188	88,314	88,540	333	-		387,375
Assets:							
Additions to non-current assets	517,730	9,604	2,263	-	-	C	529,597
Segment assets	1,885,550	2,569,406	352,103	4,168	(39)		4,811,188
Segment liabilities	819,699	2,009,936	143,110	3,748	(732)		2,975,761

Audited historical financial information (contd.)

Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.)

Business Segments (contd.)

	Environment RM'000	Power RM'000	Oil and Gas RM'000	Others RM'000	Elimination RM'000	Note	Combined RM'000
31 December 2011							
Revenue							
Sales to external customers	1,150,771	462,180	834,246	6,949	-		2,454,146
Inter-segment sales	-	-	-	1,131	(1,131)	A	-
Total revenue	1,150,771	462,180	834,246	8,080	(1,131)		2,454,146
Results:							
Gross profit	332,348	147,604	273,438	(173)	(1,131)	A	752,086
Interest income	14,293	47,154	5,867	-	-		67,314
Depreciation	32,017	25,655	8,455	75	-		66,202
Amortisation	214,633	-	-	-	-		214,633
Other non-cash items	22,858	(26,323)	5,403	110	-	B	2,048
Segment profit	172,306	61,920	107,555	(4,529)	-		337,252
Assets:							
Additions to non-current assets	72,947	76,904	10,312	662	-	C	160,825
Segment assets	1,593,581	2,522,674	308,294	18,511	-		4,443,060
Segment liabilities	517,459	2,042,961	144,454	11,986	-		2,716,860

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Audited historical financial information (contd.)

Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.) (contd.)

Business Segments (contd.)

	Environment RM'000	Power RM'000	Oil and Gas RM'000	Others RM'000	Elimination RM'000	Note	Combined RM'000
30 June 2010							
Revenue							
Sales to external customers	729,532	226,799	385,367	4,660	-		1,346,358
Inter-segment sales	-	-	-	984	(984)	A	-
Total revenue	729,532	226,799	385,367	5,644	(984)		1,346,358
Results							
Gross profit/(loss)	189,888	93,279	148,144	(290)	(984)	A	430,037
Interest income	7,189	3,555	2,437	-	-		13,181
Depreciation	17,732	19,361	5,274	82	-		42,449
Amortisation	119,258	-	-	-	-		119,258
Other non-cash items	(1,381,906)	(4,795)	(3,199)	5	-	B	(1,389,895)
Segment profit	1,462,444	48,771	60,610	874	-		1,572,699
Assets							
Additions to non-current assets	470,337	392,114	3,441	7	-	C	865,899
Segment assets	1,878,576	1,817,540	208,328	16,369	-		3,920,813
Segment liabilities	771,378	1,515,835	96,355	5,493	-		2,389,061

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.)

A Inter-segment revenues are eliminated on combination.

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

	Note	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Finance lease income	5.4.6	(55,930)	(39,551)	-
Effects arising from transfer of water related assets	5.4.7	-	-	(1,370,063)
Reversal of impairment of trade receivables	5.4.7	-	(1,436)	(8,056)
Reversal of interest accrued on late payment to trade payables	5.4.7	-	(67)	(19,355)
Reversal on interest accrued on loan transferred to PAAB	5.4.7	-	-	(11,001)
Reversal of accruals and provisions no longer required	5.4.7	-	(1,618)	(1,699)
Unwinding of interest on trade receivables	5.4.7	(390)	(209)	-
Reversal of inventories written down	5.4.7	-	-	(117)
Unwinding of interest of lease rental payable to PAAB	5.4.8	7,750	16,553	14,675
Amortisation on discount on issuance of BaIDS	5.4.8	-	-	2,390
Allowance for doubtful debts	5.4.9	8,479	4,193	3,235
Property, plant and equipment written off	5.4.9	26	39	44
Bad debts written off	5.4.9	437	5,588	52
Impairment loss on investment in associate	5.4.9	873	212	-
Construction in progress written off	5.4.9	-	1,164	-
Provision for liquidated ascertained damages	5.4.9	-	13,500	-
Provision for foreseeable loss on contracts	5.4.9	1,782	3,680	-
		(36,973)	2,048	(1,389,895)

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5.0 Audited historical financial information (contd.)

5.4 Identified Entities (contd.)

Notes to the financial statements (contd.)

5.4.45 Segmental information (contd.)

C Additions to material non-current assets consist of:

	Note	12 months ended 31.12.2012 RM'000	18 months ended 31.12.2011 RM'000	12 months ended 30.6.2010 RM'000
Property, plant and equipment	5.4.13	43,210	54,519	21,987
Construction in progress	5.4.14	-	69,708	391,610
Operating financial assets	5.4.16	55,186	36,598	23,345
Service concession assets	5.4.17	425,356	-	428,957
Intangibles - softwares	5.4.18	5,845	-	-
		529,597	160,825	865,899

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