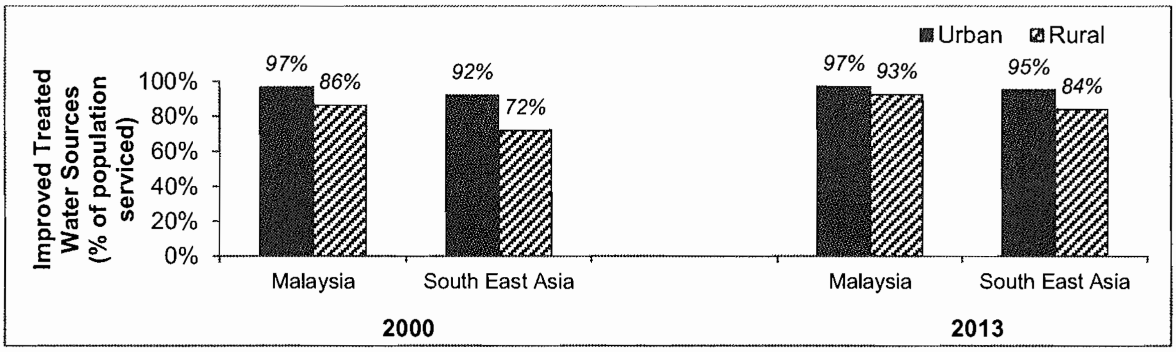
3.4.3.3 Improved Treated Water Source

The Joint Monitoring Programme, carried out by United Nations Children's Fund ("UNICEF") and World Health Organisation ("WHO"), defines the improved treated water source as *water treatment and distribution facilities that is by nature of its construction, adequately protects the treated water from outside contamination*. Such sources include piped water into dwelling, yard or plot, public taps of standpipe, tube well or borehole, protected spring, protected dug well and rainwater collection.

In 2000, the rate of improved treated water sources for Malaysia in the urban and rural areas was 97.0% and 86.0% respectively, higher than the regional average in SEA. In 2004, the water services sector in Malaysia underwent a transformation and several authorities worked closely to develop the industry. The objective of the transformation was to increase the efficiency of the water services sector. Until 2013, Malaysia had achieved 97.0% of improved treated source in the urban area and 92.6% in the rural area, while improvement was also seen in the SEA region at 95.0% and 84.0% respectively[25].

Chart 3:5: Improved Treated Water Sources Comparison at Regional Level, 2000 and 2013



Note: South East Asia includes Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, and Vietnam.

Source: UNESCO, World Bank, MWIG and JBA

3.4.3.4 Water Tariff

The water tariff varies between states as approved by the State Government, or KeTTHA and SPAN (for the migrated States). In general, water tariffs takes into consideration the level of demand, water supply conditions, operating expenses (which include production and distribution costs and other related administrative cost in connection to the provision of water supply services), capital expenditures (past, present and foreseeable future) and economics. The adjustment of water tariff is relevant to ensure the full cost recovery in the industry. All states have imposed an incremental water tariff for incremental water consumption tier, and a premium rate on commercial users, except for Labuan which have a fixed water tariff for both domestic and commercial consumers.

Over the years, SPAN has periodically reviewed the water tariff upwards to allow higher cost recovery in these states, as well as to impose a punitive rate on high residential consumption. Since its establishment, SPAN has yet to review water tariff in Labuan which last reviewed in 1982, followed by Pahang (1983), Sarawak (1984) and Perlis (1996). KeTTHA and SPAN determine that usage of above 30 cubic metres per month to be considered as excessive for domestic consumers[26]. The adjustment was generally accepted with the expectation that a higher tariff would also allow for an improved water supply services.

[25] Based on 2011 figures, UNESCAP Statistical Yearbook for Asia and the Pacific 2013.
[26] SPAN - Formulating Tariff Structure (April 2013)

The table below shows the indicative water tariff for the different user segments in each of the states in Malaysia. It is also noted that the actual tariff differ by level of consumption between each states. SPAN has approved the new tariff for Johor and Labuan effective in August 2015.

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Table 3:5: Water Tariff in Malaysia by State, 2015

State	Average Water Tariff (RM per cubic metre)			
	Domestic		Industry	
	First 20m^3	First 30m^3	First 80m^3	First 120m^3
Johor[28]	0.80	1.20	3.08	3.15
Kedah	0.50	0.63	1.40	1.40
Kelantan	0.45	0.62	1.78	1.78
Labuan	0.70	0.87	1.98	2.05
Melaka	0.70	0.85	2.02	2.05
Negeri Sembilan	0.55	0.65	2.33	2.45
Pulau Pinang	0.22	0.30	1.13	1.18
Pahang	0.41	0.54	1.45	1.45
Perak	0.50	0.67	1.53	1.56
Perlis	0.48	0.55	1.30	1.30
Sabah	0.45	0.67	1.65	1.77
Sarawak(1)	0.54	0.60	1.03	1.04
Sarawak(2)	0.61	0.61	1.21	1.21
Sarawak(3)	0.49	0.55	1.12	1.15
Selangor(4)	0.57	0.72	2.19	2.22
Terengganu	0.42	0.50	0.98	1.03
National Average	**0.52**	**0.64**	**1.55**	**1.58**

The domestic water tariff in Johor on average is among the highest in Malaysia, whereas the industry water tariff in Johor is highest among all other states.

Notes:

1) Sarawak - Sibu, Kuching, Sri Aman, Limbang, Sarikei, Kapit, Miri

[27] SPAN - Formulating Tariff Structure (April 2013)
[28] SPAN - Press Release on 31st July 2015

2) Sarawak – Bintulu
3) Sarawak – Other parts of Sarawak
4) Selangor includes Federal Territories Kuala Lumpur and Putrajaya

Source: SPAN & MWIG 2015

3.4.3.5 Availability of Supply Materials

Supply material used in the water treatment process include the chemicals used during the different stages of the water treatment process as well as other supply parts used for constructing the water piping system. These materials have to meet the requirements as set out in the approved plans, specifications and standards, for consumer protection purposes. Industry vendors and suppliers, must be registered with SPAN and comply with the industry rules and regulations. Water companies and operators are only allowed to purchase supply materials from these registered vendors and suppliers. A list of registered suppliers is searchable from the SPAN's website.

Table 3:6: Supply Materials for the Water Services Industry

	Item
Water Treatment Process	***Chemicals used in different stages:*** Coagulation and Flocculation • Aluminium sulphate • Polyaluminium chloride • Ferric aluminium chloride • Ferric sulphate Disinfection • Chlorine • Sodium Hypochlorite • Calcium Hypochlorite Fluoridation • Sodium silicofluoride • Sodium fluoride Filtration • Sand • Sodium Hydroxide / Caustic Soda pH Condition Adjustment • Hydrated lime • Soda ash • Calcium Carbonate
Water Supply System	• Water Pipes • Water Fittings • Tanks • Valves • Back Flow Preventer • Meter • Taps and Mixer • Water Closet • Sanitary Appliances • Urinals • Lining / Coating / Waterproofing / Sealant / Adhesive • Pumps

Source: SPAN

3.4.3.6 Industry Profitability

Over the past decade, Malaysia's water services industry is facing significant challenges due to escalating new water infrastructure development costs, rising operational costs as well as high NRW levels. As a result, the water services industry in Malaysia has posted a loss of RM 439.1 million and RM 623.6 million in 2013 and 2014 respectively.

Among the states, Perlis (25.9%), Perak (19.0%) and Sarawak (12.6%), Johor (10.6%) and Pulau Pinang (9.6%) are the top 5 states in terms of profitability in 2014 while only five states notably Sabah (-98.9%), Labuan (-71.6%), Pahang (-64.9%), Selangor (-27.1%) and Terengganu (-2.8%) had incurred losses in the same year.

Table 3:7: Profitability for the Water Services Industry in Malaysia (by State) 2013 & 2014

States	2013 Total Revenue (RM million)	Total Expenditure (RM million)	Profit / Loss (RM million)	Profit / Loss (%)
Johor	807.5	719.2	88.3	10.9
Kedah	269.2	199.2	70.0	26.0
Kelantan	88.0	87.4	0.6	0.7
Labuan	16.8	27.2	(10.4)	(61.7)
Melaka	177.7	174.7	3.0	1.7
Negeri Sembilan	183.5	190.2	(6.7)	(3.6)
Pulau Pinang	266.9	236.3	30.6	11.5
Pahang	149.5	217.4	(67.9)	(45.4)
Perak	333.8	236.7	97.1	29.1
Perlis	25.0	21.5	3.5	14.0
Sabah	201.9	388.5	(186.6)	(92.4)
Sarawak	251.2	240.2	11.0	4.4
Selangor	1,897.2	2,362.5	(465.2)	(24.5)
Terengganu	123.8	121.0	2.8	2.2
Malaysia	**4,792**	**5,222**	**(429.8)**	**(9.0)**
States	**2014 Total Revenue (RM million)**	**Total Expenditure (RM million)**	**Profit / Loss (RM million)**	**Profit / Loss (%)**
Johor	853.5	763.0	90.5	10.6
Kedah	290.6	264.2	26.4	9.1
Kelantan	98.4	97.6	0.8	0.8
Labuan	16.2	27.8	(11.6)	(71.6)
Melaka	184.3	178.9	5.4	2.9
Negeri Sembilan	187.9	186.0	1.9	1.0
Pulau Pinang	278.5	251.8	26.7	9.6
Pahang	153.1	252.5	(99.4)	(64.9)
Perak	350.3	283.7	66.6	19.0
Perlis	34.0	25.2	8.8	25.9
Sabah	224.5	446.5	(222.0)	(98.9)
Sarawak	263.6	230.4	33.2	12.6%
Selangor	2,023.9	2,571.6	(547.7)	(27.1%)
Terengganu	123.9	127.4	(3.5)	(2.8%)

States	2013			
	Total Revenue (RM million)	Total Expenditure (RM million)	Profit / Loss (RM million)	Profit / Loss (%)
Malaysia	**5,082.9**	**5,706.4**	**(623.5)**	**(12.3)**

Note:
1) Selangor includes Federal Territories Kuala Lumpur and Putrajaya
2) Some totals may not add up due to rounding
3) Total expenditure includes operating expenditure, depreciation, amortisation, fixed monthly payment, finance costs and capital expenditure, but excludes among others, provision of obsolete stock and doubtful debts

Source: MWIG 2015

3.4.4 Services Substitutes

There is no substitute for water. In Malaysia, raw water needs to be treated to ensure it is safe for consumption. The treatment method adopted in Malaysia is the conventional chemical coagulation method due to the availability of abundant raw water and low level of pollution. However, should the source of raw water become increasingly contaminated, the treatment method will need to be replaced by a more advanced technology such as reverse osmosis or thermal distillation.

3.4.5 Relevant Laws and Regulations

3.4.5.1 Regulating Authorities

Authorities that are responsible for the water service industry in Malaysia and their roles are appended in the table below:

Authority	Role and Responsibility
KeTTHA	KeTTHA is the ministry that governs the water services industry. Its main responsibilities are: • To develop rules, regulations, standards and policies for the industry • To develop and adjust the mechanism for tariff setting, standards and quality of water supply in order to protect consumers • To assess and monitor projects for the industry development to ensure projects are on track and problems are solved properly • To work with other governmental agencies in enforcing plans for the industry and ensuring plans are line with the Government's objectives
JBA	JBA is an agency formed in 2004 under KeTTHA that assists the ministry in following manners: • To be a technical advisory providers to the ministry and other agencies in developing, planning, implementing and managing water supply programmes • Involves in the development of water resources • Involves in monitoring the NRW programme and quality of raw water and treated water • Involves in planning and implementing the water supply infrastructure • To be a committee member for the Standard and Industrial Research Institute of Malaysia and SPAN in identifying the list for approved water supply materials

Authority	Role and Responsibility
SPAN	SPAN was established in February 2007 under the SPAN Act. It holds important roles in implementing National Water Services Industry Restructuring Initiatives, including • Advising, implementing and enforcing laws and regulations formulated by KeTTHA in relation to water supply and sewerage services laws • Ensuring the productivity of water supply and sewerage services in the country • Monitoring water operators if they are adhering to standards, policies, laws and regulations • Participating in the setting of tariff for water supply for consumer protection • Involving in programmes for NRW • Ensuring the continuity and quality of water supply in the nation • Ensuring the national objectives on water supply are achieved
PAAB	PAAB is an agency of Ministry of Finance and was set up in May 2006 to undertake the responsibility of constructing, refurbishing, upgrading, maintaining and repairing the infrastructure and all other assets of water services industry. It owns water assets in the industry and leases these assets to water operators in Peninsular Malaysia and Federal Territories of Putrajaya and Labuan for their operations and maintenance. In addition, PAAB also assists SPAN in restructuring the water service industry.
DID	DID was established in 1932 as an agency of Ministry of Natural Resources and Environment. Roles of DID in water services industry are mainly from the water resources management perspective include the development, operation and maintenance of the hydrological network, collation and analysis on hydrological data and water resources assessment in the country.
State Government Agency	State government agencies that monitor and regulate the water services industry in each state of Malaysia (except Kuala Lumpur and Selangor) are listed below: • Perlis Public Works Department (Water Supply Department) • Sarawak Public Works Department • Federal Territory Labuan Water Supply Department • Pahang Water Supply Department • Sabah Water Department • Perak Water Board • Kuching Water Board • Sibu Water Board • BAKAJ • Kelantan Water Department • Penang State Water Regulatory Body • Terengganu Water Department • Melaka State Water Regulatory Body

Source: MWA, KeTTHA, JBA, SPAN, PAAB, DID and Frost & Sullivan

3.4.5.2 Acts & Regulations

Relevant Acts and regulations that govern the water industry in Malaysia are presented in the table below:

Act	Details
SPAN Act	SPAN Act was gazetted on 20 July 2006 and came into effect on 1 February 2007. The main authority of the Act is to establish a regulatory body named SPAN that holds the role of supervising and regulating water supply services and sewerage supply services and other related matters as well as enforcing laws for these services in Peninsular Malaysia, Federal Territories of Labuan and Putrajaya. The Act covers the following: • Roles and authorities of SPAN and the appointment of SPAN workers as well as tasks of these workers • Functions of a fund set up under the Act to develop the governed services • General provisions for prosecution of offences under the Act
Water Services Industry Act ("WSIA")	The WSIA was gazetted on 20 July 2006 and came into force on 1 January 2008. This Act provides for and regulates the water supply services and sewerage services and other related matters in Peninsular Malaysia, Federal Territories of Labuan and Putrajaya. The Act covers the following: • Licensing and Permit Matters These matters are regulated in Water Services Industry (Licensing) Regulations 2007 and Water Services Industry (Permit) Rules 2007 issued under WSIA. Under WSIA, water supply system owners and water operators are required to obtain an operating licence from KeTTHA. There are two types of licence: Individual and Class. Each of these license are further categorised into Facilities License and Services License. Other than owners and operators, water plumbers, works contractors and operation and maintenance contractors are also required to obtain permit issued by KeTTHA prior to the commencement of works. Types of permit available for water supply system works are Type A, Type C and Type D permits. **Individual License** – To be issued to owners of a public water supply system or those who operate a water supply system for the purpose of providing treated water services to the public. **Class License** – To be issued to owners of a private water supply system or any part of the system or those who operate a private water supply system for the purpose of providing treated water to the owner or the occupier of a premise for their private use only These licenses are further categorized into the following and shall be issued accordingly **Facilities License** - To be issued to those who own a water supply system, or sewerage system, and/or any part of the system **Service License** – To be issued to those who own a water supply system or sewerage system and/or any part of the systems and those who undertake, provide and/or make available any water supply services The Act also covers duties and obligations applicable to licenses. In addition, a qualified person intends to carry out the following works is required to obtain the permit prior to the commencement of work: **Type A permit** for water plumbers to carry out any construction, connection, modification or repairs to water pipes and water fittings which will convey water from public mains **Type C permit** for water contractors for the construction, installation or modification to any part of a water supply system **Type D permit** for operation and maintenance contractors to carry out

Act	Details
	maintenance services for a water supply system but does not involve the operation of such system • Provisions in relation to water supply systems and services • Provisions for consumer protection and resolutions of disputes • Regulations on rates, charges and deposits for water supply services • Functions of a fund set up under the Act to develop the governed services • Provisions for general offences and penalties
National Standard for Drinking Water Quality	The Standard was issued by the Ministry of Health ("MOH") to set parameters and limits in supplying water for human consumption. It covers guidelines on the following aspects: • Source protection – provides a list of recommended criteria for microbiological, physical, chemical and radioactive constituents in raw water • Drinking water standard - provides a list of recommended criteria for microbiological, physical, chemical and radioactive characteristics of drinking water Guidelines on how to have safe drinking water are appended in the Standard including protection of source, preventive measures, treatment tests, sanitary survey which includes treatment plant inspection and evaluation, monitoring steps and record keeping and periodically report submission to the Unit of Drinking Water Quality Surveillance under the MOH.
Waters Act 1920	The Act was first enacted in 1920 and revised in 1989. It provides control of rivers and streams and is applicable to Negeri Sembilan, Pahang, Perak, Selangor, Melaka, Penang and Federal Territories. The Act states that only person that obtained license from the State Authority is able to divert water from river or natural course of river by mean of ditch, drain, channel or pipe.
Environmental Quality Act 1974	This Act is enacted to prevent, abate, control pollution and enhance environment quality in the country. Environment is defined as the physical factors of the surroundings of human beings including inland waters. Parties that involved in the water supply services industry including water system owners, water operators and water work permit holders are required under this Act not to cause pollution to inland waters.
National Water Resources Policy (NWRP)	The Policy was formulated in 2012 to streamline policies and regulations to ensure the efficiency and effectiveness of the water resource management. It is complemented with the National Integrated Water Resources Management ("IWRM")[29]initiatives which mandated a close co-operation and partnership between stakeholders for properly developed and managed water, land and related sources.

Sources: KeTTHA, JBA, SPAN and Frost & Sullivan

3.4.6 Reliance and Vulnerability to Imports

The industry is reliant on various types of chemicals for the water treatment activities, some of which are available locally and some imported. The major chemicals that are imported are alum (from Australia) and fluoride (from China and the United Kingdom).

[29] An important initiative suggested by Global Water Partnership to ensure the sustainability of water supply whilst not depleting the ecosystems.

3.4.7 Competitive Landscape and Structure

As of July 2015, there were 14 key water operators in Malaysia. The following table lists the water operators. Six states namely, – Johor, Melaka, Negeri Sembilan, Pulau Pinang and Perak and Perlis had migrated to the new licensing regime under the Water Services Industry Act 2006 while Selangor is expected to conclude its water re-structuring plan in 2016.

Table 3:8: Water Supply Services Industry Players in Malaysia, July 2015

State	Water Operator	Status as of July 2015		
		Corporatised	Migrated	Privatised
Johor*	SAJ Holdings Sdn Bhd	N/A	Yes (in 2009)	Semi-private (20% state-owned)
Kedah	Syarikat Air Darul Aman Sdn Bhd	Yes	In progress	No
Kelantan	Air Kelantan Sdn Bhd	Yes	No	No
Federal Territory Labuan	Labuan Water Supply Division	In progress	In progress	No
Melaka	Syarikat Air Melaka Berhad	Yes	Yes (in 2008)	No
Negeri Sembilan	Syarikat Air Negeri Sembilan Sdn Bhd	Yes	Yes (in 2009)	No
Pulau Pinang*	Perbadanan Bekalan Air Pulau Pinang Sdn Bhd	Yes	Yes (in 2011)	No
Pahang	Pengurusan Air Pahang Berhad	Yes	In progress	No (100% state-owned)
Perak	Perak Water Board, State Government of Perak	Yes	Yes (in 2012)	No
Perlis	Syarikat Air Perlis Sdn Bhd	In progress	Yes (in 2010)	No
Sarawak	Laku Management Sdn Bhd	Not included in the transformation for corporatisation and privatisation		
Sabah	Sabah State Water Department	Not included in the transformation for corporatisation and privatisation		
Selangor and Federal Territory Kuala Lumpur	Syarikat Bekalan Air Selangor	Yes	In progress (expected in 2016)	Yes (received concessionary in 2005)
Terengganu	Syarikat Air Terengganu Sdn Bhd	Yes	In progress	No

Note:

** Perbadanan Bekalan Air Pulau Pinang Sdn Bhd - Its holding company, PBA Holdings Berhad is listed in Bursa Malaysia Berhad of which Penang State Secretary is the controlling shareholder.*

Sources: MWA, SPAN and Frost & Sullivan

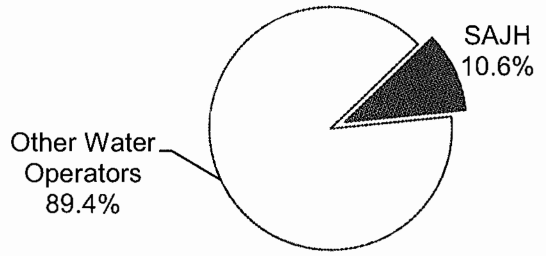
3.4.8 Market Share and Ranking

3.4.8.1 Water Treatment Plant Design Capacity in Malaysia

In 2014, the combined designed capacity of water treatment plants in Malaysia was 18,730 MLD. SAJH operate and maintain 44 out of the 505 water treatment plants in Malaysia[30], all located in the state of Johor, with a collective designed capacity of 1,986 MLD. This contributes towards 10.6% of the total designed capacity of water treatment plants in Malaysia.

[30] Effective November 2012, SAJH operate 44 water treatment plants in Johor

Chart 3:6: Ranhill's Market Share in Malaysia (by Design Capacity), 2014

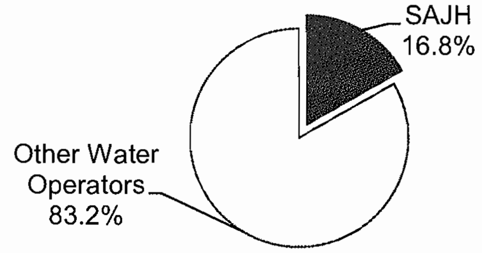


Source: MWA and SAJH

3.4.8.2 Water Supply Services Industry Revenue in Malaysia

In 2014, the total revenue (tariff and non-tariff revenue) for the water supply services industry in Malaysia was RM5,082.9 million. In the same year, SAJH achieved total revenue of RM853.5 million which translates to a market share of 16.8%.

Chart 3:7: Ranhill's Market Share in Malaysia (by Revenue), 2014



Source: MWA and SAJH

3.4.9 Industry Outlook

Since the first National Five Year Development Plan (1966-1970), the Government had placed great efforts in developing the water services industry to increase water quality and public accessibility. In the 11MP, the Government's strategy is to ensure the sustainability of the water supply industry through these main focus areas[31].

- ***To develop a long-term strategy for water demand management master plan to achieve water security***

  Water resource management is important to ensure the continuity of raw water supply for water treatment, distribution and consumption by the end users, especially in areas with rapid economic and population growths. The Ministry of Natural Resources has formulated the National Water Resources Policy ("NWRP") in 2012 to streamline policies and regulations to ensure the efficiency and effectiveness of the water resource management. Subsequently, the National Integrated Water Resources Management ("IWRM") [32] initiatives have made significant progress in cultivating a close co-operation and partnership between stakeholders for a properly developed and managed water, land and related sources.

[31] Source: 11MP, EPU

[32] An important initiative suggested by Global Water Partnership to ensure the sustainability of water supply whilst not depleting the ecosystems.

Going forward, there is a real need to manage water demand for prudent use of water resources. KETTHA will develop a master plan on water demand management which aims to improve reliability of water supply by leveraging economic tools. With improved understanding of behavioural trends in water consumption, the Government may revise the water tariff to induce conservation during situations of water scarcity or infrastructure upgrades, or impose restrictions on water-intensive industries. It demands the participation and compliance from all users, both public and private sectors, in order to achieve the desired water consumption threshold.

- ***To continue restructuring the water services industry***

Water operators are required to migrate into a new licensing regime and transfer the water asset ownership to PAAB in order to lighten their financial burden and enable them to focus on water operations. As of July 2015, six states in Malaysia had migrated into the new regime. The state of Selangor too had signed all the necessary agreements with the Federal government in September 2015 to conclude the proposed water restructuring exercise in 2016. The Government also aim of having the rest of the states (except Sabah and Sarawak) to be migrated.

Other plans to be executed in order to achieve this objective include the full cost recovery in the industry, the integration of water and sewerage services as well as the NRW programme in which RM112.0 million is allocated by the Government under Budget 2015[33] to set up leakage control zones as well as detecting and repairing leaking pipes.

- ***To protect rivers from pollution***

More than 80.0% of the total raw water in Malaysia was sourced from rivers in 2014. Hence the prevention of rivers from pollution is relevant in order to ensure good water quality for consumption. According to the Environmental Quality Report issued by the Department of Environment, 275 out of 473 rivers monitored in 2013 were found to be clean, 173 were slightly polluted and 25 were polluted.

This was mainly the result of the increase in the number of polluting sources such as sewage treatment plants and waste from agricultural industries. Among the preventive measures that has been outlined include: strengthening the regulations on industrial effluents and sewage discharge; assessing the allowable discharge load into rivers; refining the Water Quality Index used as parameters for river pollution, developing the National Marine Water Quality Index and implementing awareness programmes among the society.

- ***Mitigation of NRW***

The water supply services industry in Peninsular Malaysia is currently in its various states of migration, with the objective of transforming the sector from wholly-public funded to be privately operated and market-driven. Mitigating NRW becomes viable in a for-profit business model whereby the rate of NRW is translated as the loss of revenue. According to the 11MP, the reduction in NRW from 36.6% in 2013 to 25.0% by 2020 would translate into additional revenue about RM410.0 million annually for the operators. When the loss from NRW outweigh the production and distribution cost, it is to the company's best interest to alleviate it. The increase in cost of sales is also apparent by any upward revision of the water tariff which is inevitable once the sector has transformed.

In 2014, the NRW rate in Johor was 25.9%[34], improved from 31.3% in 2008. The mitigation of NRW which is a cost-incurring activity is expected to be more viable in other States in Malaysia in the medium to long term, or upon their sector migration.

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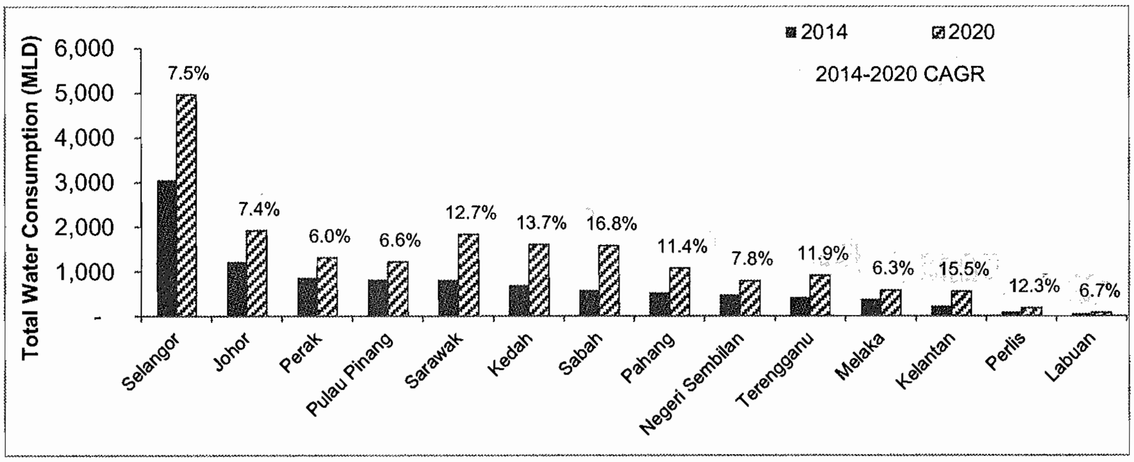
[33] Prime Minister's Office: "Budget 2015: People Economy"
[34] Malaysian Water Industry Guide 2013

The National Water Resources Study (2000-2050) forecast the water consumption in Malaysia to reach 16,548 MLD in 2015 and to further increase to 18,549 MLD in 2020. Consumption and demand of treated water is expected to be driven by growths in population, national wealth and the industrial sector. States expected to experience high consumption growth rate between 2014 and 2020 of CAGR above 10.0% are Sarawak, Sabah, Kelantan, Kedah, Terengganu, Pahang and Perlis.

The following chart shows the actual and projected water consumption by state, for 2014 and 2020.

Chart 3:8: Actual and Projected Water Consumption in Malaysia, 2014 and 2020



Source: EPU and Frost & Sullivan

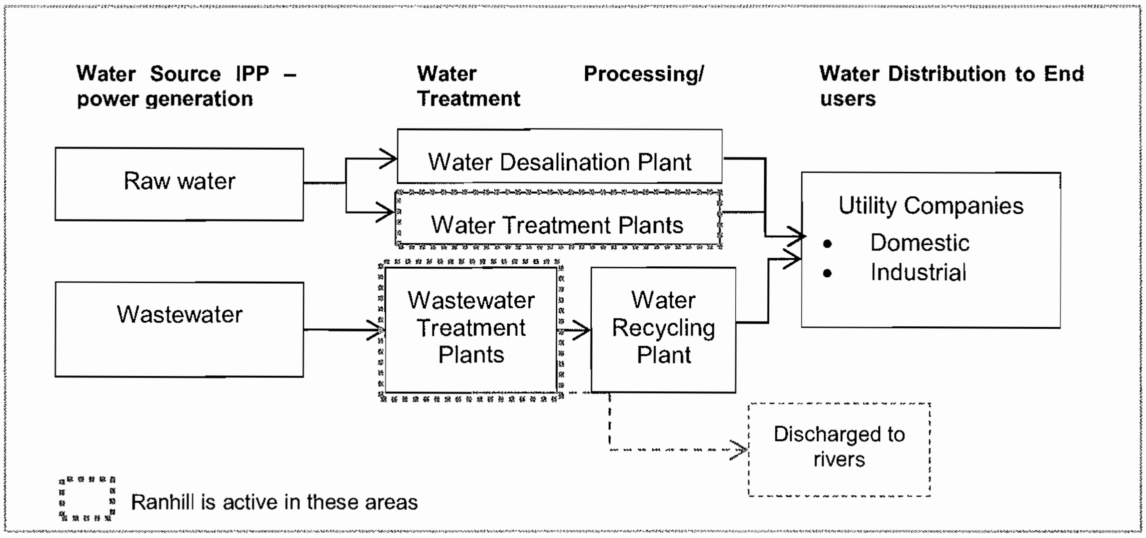
4 BRIEF OVERVIEW OF THE WATER INDUSTRY IN CHINA

4.1 INDUSTRY BACKGROUND AND DEVELOPMENT

The water supply industry in China is managed by the public sector. The Government fully took part in developing the sector given the importance of supplying treated water for safe public consumption. However, liberalisation of the sector, including provisions for foreign ownership of water assets since 2003, has resulted in an increasing trend of private participation in the operations and maintenance of water treatment and wastewater treatment plants.

The industry encompass sourcing of water, processing of raw water, distribution to end users and the treatment of domestic and industrial wastewater as illustrated in the industry value chain.

Figure 4:1: Water Supply Industry Value Chain in China



Source: Frost & Sullivan

Raw water sourced from rivers, dams, and groundwater is processed in conventional water treatment plants, whereas seawater will have to be processed in desalination plants to remove the high content of salt and make it potable[35]. While raw water is processed and treated to make it safe for domestic consumption, wastewater treatment is necessary to ensure that wastewater discharged back to the environment is free from harmful pollutants that may contaminate the natural water sources. In the industrial sector, majority of treated wastewater is recycled back for industrial usage. There is a significant progress on this front. It is estimated to be on average of 40% in 2008 and this percentage has increased to 60% by 2012 according to the World Bank[36] and the United Nations Development Programme ("UNDP")[37].

Treated wastewater may have the contaminants removed but it is not necessarily suitable for human consumption and must be further processed in recycling treatment plants in order to be distributed to the end users. Wastewater recycling is only apparent in urban areas where there is a high population density and the raw water resource availability is limited. China aims to achieve 50.0% of industrial water reuse by 2015[38].

The total revenue of China's water industry is estimated to have grown at a CAGR of 7.2% from RMB123.0 billion (RM69.4 billion) in 2010 to RMB162.5 billion (RM91.7 billion) in 2014[39]. For private companies, wastewater treatment is a bigger area for private participation as it is currently underdeveloped. According to the World Bank[40], between 1998 and 2008, more than 60.0% of the private water projects in China are for wastewater treatment, accounting for 183 of the total 291 projects. Between 2009 and 2014, the private sector was involved in 129 water and sewerage projects valued at USD2.4 billion (RM8.4 billion).

Private Participation in the Water Industry

In 2002, The Government of China officially liberalised the water industry to private operators. Foreign companies were also encouraged to participate and invest in the urban water supply systems (e.g. the construction and management of water treatment plant, wastewater treatment plants and water distribution projects). Typically, for water treatment projects of large capacity

[35] Suitable for drinking
[36] Report Number 47111 (2008)
[37] Human Development Report 2013
38 China 2030 – Building a Modern, Harmonious, and Creative Society – Supporting Report 3 (2013)
39 Derived based on IBISWorld's 2015 reports on Water Supply Industry, Water Resource Management industry, Water Pollution Control Industry and the Sewerage Treatment Industry.
40 World Bank, Private Participation in Infrastructure Database.

(100 MLD and above), foreign participation is conducted through collaboration with a local partner. Private participation in this industry was mainly through PPP models such as Transfer-Operate-Transfer ("TOT"), Build-Own-Operate ("BOO") and Build-Operate-Transfer ("BOT"). The operators under the BOO model have greater investment and operational risks as they did not operate on a concession contract (thus uncertain in revenue stream) though they will retain the water assets perpetually[41], unlike BOT and TOT models. Furthermore, the projects under the BOT and TOT models are usually financed by government institutions.

In many cities, there are also private water treatment plant operators that are affiliated with the central government and local government. For wastewater treatment, the severity of the matter has compelled the Government to actively seek for local and foreign investors to participate in the building of new wastewater treatment plants throughout the country.

For the distribution of treated water to domestic users, municipals and state-owned enterprises still dominate this area, including system design and construction and there is not much foreign participation in the development or operation of domestic water distribution networks.

The central and local governments in China have pushed for gradual increase of water and wastewater tariff for both municipal and industrial segment since 1990s to improve the financial performance of the water sector, which subsequently provides greater efficiency in its management. Rising operational costs in response to increasing regulatory requirement, particularly in meeting enhanced water standards by 2015, has resulted in diminishing return for operators while incurring growing water subsidies for the government. The government has weighed in various pricing mechanism and has decided to implement a three-tier pricing structure in all cities throughout China by end of 2015 as proposed by the National Development and Reform Commission[42].

Under this pricing system, urban households that consume above a designated volume of water will have to pay higher water tariff. An urban resident in Beijing[43] that consume no more than 180 m^3 of water will be subjected to a base rate of RMB2.07 per m^3 while those consume more than 260 m^3 have to pay a tariff of RMB6.07 per m^3. Furthermore, the base rate will vary among the local governments to reflect the full cost of water supply given varying degree of water scarcity across different regions. The implementation of the pricing system will subsequently be extended to commercial and agricultural users, as domestic users only accounted for 12.1% of the water consumption in the country in 2013.

4.2 SUPPLY CONDITIONS

4.2.1 Raw Water Source

In 2013, 81.0% of the total treated water was extracted from surface water, 18.2% from groundwater and 0.8% from other water sources[44]. China has uneven distribution of water, whereby the Southern areas have abundant sources and faces frequent floods, whereas the Northern areas, where water is relatively scarce, face severe shortages from over extraction due to the high and dense population. The effect of climate change has compounded the problem. It has significantly reduced gross amount of water in major Chinese rivers such as Yellow, Huaihe, Haihe and Liaohe rivers in the past two decades[45].

According to the Ministry of Water Resources ("MWR"), more than 400 out of 664 cities in China suffered from water shortage in 2012, with 110 cities classified as 'severe' including the national capital, Beijing.

41 Although the operator could sell off the asset to other investor.

42 NDRC Policy No.2676 on the establishment of pricing system for urban residents, http://jgs.ndrc.gov.cn/zcfg/201401/t20140103_574391.html

43 Water tariff imposed by Beijing Municipal Commission of Development and Reform by January 1st, 2015. http://www.bjpc.gov.cn/ywpd/wjgl/cx/jz/201208/t3884349.htm

44 China Statistical Yearbook 2014

45 China's Policies and Actions for Addressing Climate Change, Information of the State Council of the People's Republic of China, 2008. Link: http://www.ccchina.gov.cn/WebSite/CCChina/UpFile/File419.pdf

To mitigate this shortage, the Government has embarked on a 'South to North Water Transfer Project' whereby water channels are being constructed to divert water from the Yangtze River to the water-stricken regions in the North of China. The construction began in 2000 and is expected to be fully completed by 2050[46].

4.2.2 Water Supply

Treated water is distributed to end users via public water pipes. An accelerated construction of water distribution infrastructure construction in China was seen in the past two decades. By the end of 2014, the length of water supply pipelines exceeded 646,000km in urban cities and 194,000km in urban counties[47]. With China's ongoing urbanisation, China is planning to upgrade and build a total of 277,600 km of water pipe in between 2011 and 2015, 109,900 km, 82,800 km and 84,900 km for cities, towns and townlets respectively. According to the World Bank, the access rate to tap water in Chinese cities increased from 48.0% in 1990 to 97.2% in 2012. In rural areas, the access rate to improved water sources increased from 56.0% in 1990 to 85.0% in 2012.

According to the Ministry of Housing and Urban-Rural Development ("MOHURD"), there were about 4,000 water treatment plants in China supplying approximately 1,649,863 MLD (602.2 trillion liters a year) of water in 2010. In 2013, combined water treatment capacity for the urban areas areas (e.g. cities at prefecture level and above) reached 288,933 MLD[48]. As reported by EU SME Centre in 2008, over half of water treatment plants in China were medium scale with a treatment capacity of 10 MLD – 100 MLD in the first[49] and second tier[50] cities. Driven by rapid urbanisation among other factors, China planned to upgrade approximately 2,000 water plants between 2011 and 2015 under the country's 12th Five-Year Plan ("FYP"), adding a combined water treatment capacity of about 64,000 MLD. In addition, China also aims to add another 2,358 plants by 2015 with a combined daily treatment capacity of 40,000 MLD to its current water treatment system[51].

Approximately 90.0% of the water treatment plants are using the conventional water treatment method[52]. Conventional method is a four-step water treatment process, "Coagulation - precipitation - filtration – disinfection", to eliminate pathogenic microorganism contained in raw water. However, due to the increasing pollution problems, the conventional water treatment technologies used in most of the current water treatment plants is not sufficient to produce quality treated water that can meet the national standard as announced in 2012.

China has committed to improve such situation. Under the 12th FYP, RMB142.0 billion (RM80.1 billion) investment will be invested in the water treatment sector in China, whereby RMB140.5 billion (RM79.2 billion) is allocated for water treatment plant renovation and construction and RMB1.5 billion (RM0.9 billion) for water quality monitoring. This industry is expected to be opened to service providers with advanced water treatment technology, for example, ozone and granular activated carbon filtration as well as membrane technology (reverse osmosis).

4.2.3 Wastewater Treatment

Management of municipal wastewater would entail an extensive network of wastewater infrastructure where the wastewater can be properly collected and transported for treatment until it comply with required discharged standards before ultimately disposed of into water bodies which include rivers, lakes and seas. In contrast, industrial wastewater, which is likely to

[46] Food and Agriculture Organisation of the United Nations (FAO), http://www.fao.org/nr/water/aquastat/countries_regions/china/index.stm
[47] MOHURD
[48] National Bureau of Statistics of China – General Survey of Cities (2013)
[49] First Tier cities: Refer to the major municipalities and provincial capital cities. These cities are the most populous, affluent (high GDP per capita) and economically competitive in China, such as Shanghai, Beijing, Shenzhen and Chongqing.
[50] Second tier cities: Refer to Secondary provincial capitals and major cities with population of 0.5million – 2.0 million.
[51] Remarks by Senior Official of the Chinese Ministry of Housing and Urban Rural Development during the Singapore International Water Week 2011.
[52] Sourced from the agricultural portal developed by Guangdong's provincial government, www.gdcct.gov.ch

contain hazardous substances that require specialised wastewater treatment technology, are typically employed at individual premises as the volume, strength[53], and harmful substances of the wastewater generated varies greatly across industries. Unlike municipal WWTP which are mostly funded by the government since it safeguards the social wellbeing, the industry is expected to bear both capital and operating costs of the industrial wastewater treatment.

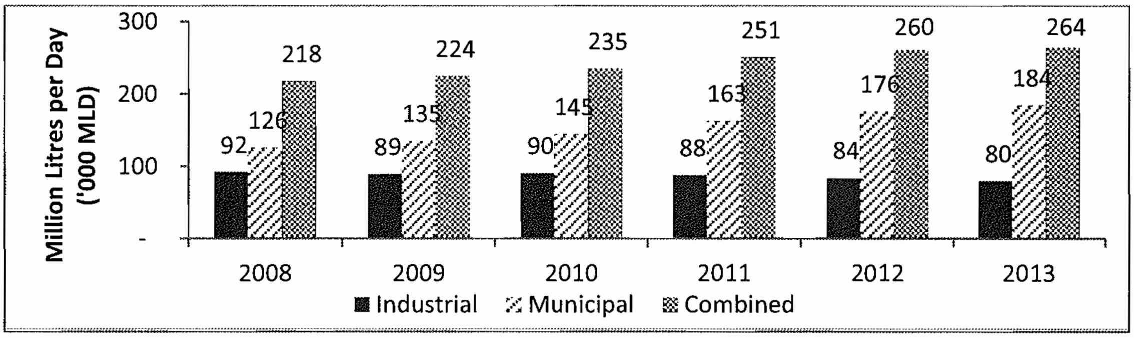
In 2013, the industrial and domestic sector in China generated approximately 264,268 MLD of wastewater, by which municipal and industrial wastewater accounted for 69.8% and 30.2% respectively.

Recognising the need to manage not only water resources but also its generated wastewater, the Government of China harnesses its regulatory and economic authority to steer the growth of the wastewater treatment industry. In 2003, the Central government enforced a new standard on the allowable pollutant levels in the discharged effluent of wastewater treatment plants. Subsequent liberalisation of the sector not only facilitated entry of foreign wastewater treatment companies into the sector but also facilitated critical technology transfer which bolsters the technical prowess of local firms.

Since then, there has been a gradual adoption of more advanced processes in the wastewater treatment plants throughout the country as both local and foreign companies strive to meet the new requirements for water recycling and discharge. This included secondary and tertiary chemical processes to remove phosphorus and nitrogen, over the conventional method of removing settled floating materials.

According to MEP[54], approximately 176,206 MLD or 66.7% of the generated wastewater in the country were discharged into its rivers upon treatment in 2013. Yet, according to a survey by the MEP, only 20.7% of the municipal wastewater treatment plants in China have complied with the wastewater discharged standard as of 2010, hinting vast opportunity in upgrading and rehabilitating of the existing WWTP.

Chart 4:1: China Industrial, Municipal and Combined Wastewater Discharged (in '000 MLD), 2008-2013



Note: Excluded agriculture sector as it is largely a non-point source of wastewater discharged.

Source: Ministry of Environmental Protection & National Bureau of Statistics

4.2.3.1 Industrial Wastewater Treatment

China's rapid industrialisation and urbanisation in the past decades has resulted in severe environmental degradation. Frost and Sullivan estimates that the capacity shortfall for industrial wastewater treatment is almost doubled that of municipals at 60,170 MLD in 2008. To address this shortfall, the government through its 11th FYP encourages industries to upgrade its

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[53] Strength of wastewater implies its potency in harming the environment which is measured by biological oxygen demand (BOD). The common benchmark to describe this potency is in relation to human waste, which a person produced about 60g of BOD per day.

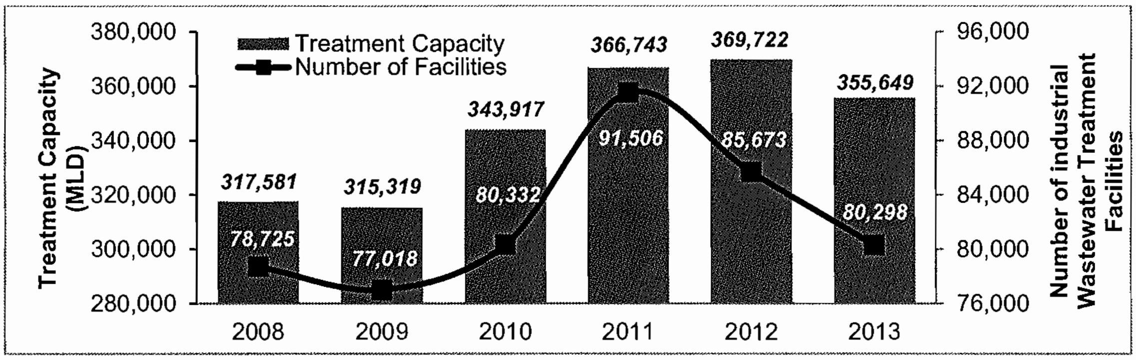
[54] Update on Wastewater in China 2014, MEP. Accessed site on August 10th, 2015. Link: http://zls.mep.gov.cn/hjtj/nb/2013tjnb/201411/t20141124_291868.htm

industrial facilities and to utilise efficient environmental protection solutions including wastewater treatment. To comply with the progressive tightening of discharge standards across multiple sectors[55], industries are induced to undertake these investments or risks closure[56].

The number of industrial wastewater treatment facilities has marginally grown at a CAGR of 0.4% from 78,725 plants in 2008 to 80,298 plants by 2013. In the same period, the volume of industrial wastewater discharged has reduced at a CAGR of 2.8% from 91,827 MLD to 79,739 MLD. Stringent environmental regulation and its enforcement have been successful in attaining industrial discharged compliance rate exceeding 95.0% by 2010 and Frost & Sullivan expect this trend to remain in 2013. Furthermore, the treatment capacity has been on the rise at a CAGR of 2.3% from 317,581 MLD in 2008 to 355,649 MLD in 2013. According to China Water Risk[57], while the volume of industrial water discharge is reported to be on the declining trend, it is notable that the current mismatch between the less stringent waste water discharge standards and the environmental water quality standards may potentially results in the underestimation of waste water discharged in China (**refer to Section 4.3.3**).

Frost & Sullivan opines that the lesser volume in industrial wastewater discharge can also be attributed to effort in boosting water recycling rate from 40% in 2008 to 60% by 2012. The trend is supported by significant investment in industrial wastewater treatment amounted to RMB319.5 billion (RM 180.2 billion) between 2008 and 2013, which also shows greater adoption of water recycling technologies such as the Membrane Bioreactor ("MBR")[58].

Chart 4:2: Growth of China's Industrial Wastewater Treatment Facilities and Capacity (in MLD), 2008-2013



Source: Ministry of Environmental Protection

The emerging trend of centralised industrial wastewater treatment is also favorable for the players in the Chinese water industry. To attain greater industrial wastewater treatment rate, The Chinese Government has rolled out a pilot programme during the 11th FYP coined the national 'Eco-Industrial Park' which includes the development of a centralised industrial wastewater treatment plants within an industrial enclave with water-intensive industries[59]. The programme was further augmented throughout the 12th FYP and by 2017 new industrial parks is mandated to have its integrated wastewater treatment facility with online monitoring. All Paper, Chemicals, Textile and Farm by-product industries generated approximately half of total industrial wastewater discharged in 2012. The centralised approach will allow the operator of

[55] Among recent discharge standards announced is GB 4287-2012 for Dyeing and Finishing of Textile Industry issued on June 17th, 2015.

[56] Wall Street Journal – China Cracks Down on Water-Polluting Industries, April 17th, 2015.

[57] China Water Risk: Fundamental Issues: Industrial Water, March 12 2014

[58] US International Trade Administration – Market Assessment Tool for US Exporters on Environmental Technologies (July 2015)

[59] Among notable Eco-Industrial Parks are Shanghai Chemical Industrial Park (SCIP) and Tianjin Economic-Technological Development Area (TEDA).

the plant to achieve a greater economy of scale and operational cost savings. The plant operator enters into a service agreement with the industrial customers individually.

Generally, the average industrial wastewater tariff, which is regulated by the local governments through the issuance of industrial discharge permit[60], are approximately 41.5% higher than the municipal's as it factors in collection risk and uncertainty in volume. The National Development and Reform Commission ("NDRC") has proposed for a progressive tariff increase to facilitate full cost recovery. It has gradually risen at a CAGR of 4.4% from RMB3.20 in 2008 to RMB3.96 in 2013. With the Chinese economy expected to continue its healthy growth trajectory of 7.0% annually up to 2015[61], so does the investment in industrial wastewater treatment plants.

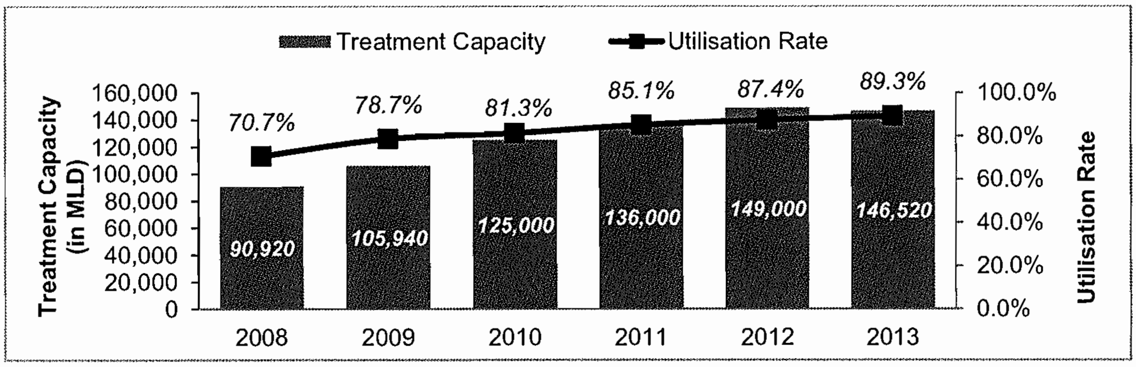
4.2.3.2 Municipal Wastewater Treatment

According to the Ministry of Environmental Protection ("MEP"), there were 4,136 Municipal WWTP in the country as of 2013, of which most are located in 36 major cities while the rest located in the counties, compared to merely 1,521 WWTP in 2009. Furthermore, growing development projects along with improved sewer connections has led to higher utilisation rate of wastewater treatment capacity in the country, especially in the urban and country areas.

In 2014, urban population in China is estimated at 758.4 million[62]. However, percentage of China's population access to improved sanitation services has only improved marginally from 63.0% in 2009 to 65.0% in 2012 according to the World Bank[63], which calls for significant expansion of its wastewater treatment capacity to cater for more than 250 million of the urban population.

For major cities and counties in China, the municipal wastewater treatment capacity already grew at a CAGR of 10.0% from 90,920 MLD in 2008 to 146,520 MLD in by 2013. Frost & Sullivan estimated that capacity shortfall amounted to nearly 40,000 MLD in 2013. Simultaneously, utilisation of the treatment capacities grew at a higher CAGR of 15.3% from 64,294 MLD in 2008 to 130,842 MLD in 2013. Thus the utilisation rate of wastewater treatment capacity in China stood at 89.3% in 2013, exceeding the target of 85% by 2015 under the 12th FYP. Under the same plan, it is expected that more than 1,000 WWTPs[64] with treatment capacity of 56,600 MLD will be constructed in 2014 and 2015 with allocated RMB430.0 billion (RM242.5 billion) to improve this segment and targets to increase the national wastewater treatment capacity to reach 208,050 MLD in 2015.

Chart 4:3: Growth of China's Municipal Wastewater Treatment Capacity (in MLD) and its utilisation rate (in percentage), 2008-2013



Source: MOHURD

[60] Excess in volume of wastewater and its pollution load over established standards will result in higher tariff.
[61] Based upon GDP growth as projected by the 12th FYP.
[62] UN World Urbanisation Prospects 2014
[63] World Development Indicators on Improved Sanitation Facilities.
[64] Frost & Sullivan estimates

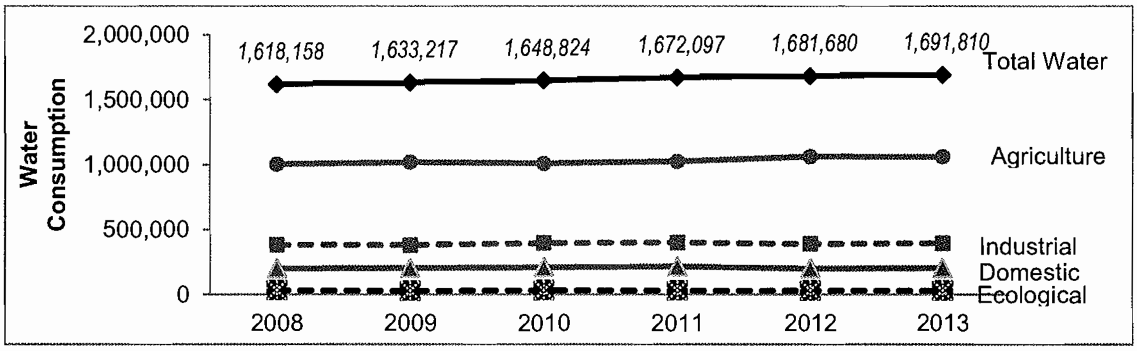
4.3 DEMAND CONDITIONS

4.3.1 Water Supply / Consumption in China

The water supply industry in China has seen a moderate growth from 2008 to 2013. In 2013, total water consumption increased at a CAGR of 0.9% from 1,618,158 MLD in 2008 to 1,691,810 MLD in 2013. Water consumed was largely used for irrigation and industrial purposes. In 2013, approximately 62.7% of water was for agricultural usage, 23.4% was for industrial usage and 12.1% was for domestic usage. The remaining 1.8% was used for ecological protection. The water supply and consumption data is presented in the graph below.

The domestic water consumption per capita in China was approximately 455 liters per day in 2013[65].

Chart 4:4: China Water Consumption by Sector (in MLD), 2008 to 2013



Source: Ministry of Water Resources of China (MWR)

4.3.1.1 Wastewater Discharged in China

Growing water consumption in China has generated equally large volume of wastewater, as presented in the following graph. The volume of wastewater discharged has grown following trends in water consumption at a CAGR of 4.0% from 217,579 MLD in 2008 to 264,268 MLD in 2013. The government has been aggressive in curbing wastewater generated by the industrial sector during the 11th FYP which has resulted in declining discharged volume at a rate of 2.8% annually down to 79,739 MLD in 2013 from 91,987 MLD in 2008. Following this, more stringent regulation and enforcement is expected to continue throughout the 12th FYP. However, volume of wastewater discharged from domestic segment has been on the rise between 2008 and 2013 given the improvement in water supply infrastructure. Its volume of wastewater discharged rose at a CAGR of 7.9% from 125,592 MLD in 2008 to 184,340 MLD by 2013.

4.3.2 Demand Drivers

Implementation of Market-Oriented Water Pricing Mechanism

Despite the development of the water industry in the past decades, water prices in China are not set according to the industry condition. The prices do not reflect the water scarcity issue and are significantly below the prices in countries with adequate water supply per capita. Low water pricing and growing construction cost of water treatment plants have discouraged companies from participating in the industry. Due to low water tariff, the wastewater treatment plants are granted limited flexibility in altering the prices they charge their customers, the reason being the consumers will tend to use treated water at a lower price than treated wastewater.

To compound the challenge, the Central government is reluctant to revise the domestic water and wastewater tariff upwards significantly due to growing economic inequality in China since

[65] National Bureau of Statistics

1980s. According to the International Monetary Fund ("IMF"), the estimated Gini ratio, which is used as a measure of economic inequality, rose in China from 0.28 in 1980 to 0.52 in 2013[66]. This signify significant polarisation of wealth amongst its population.

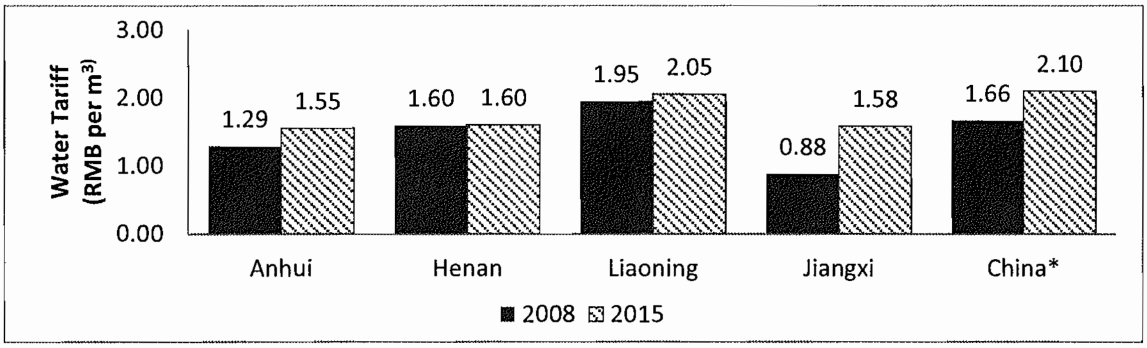
Recognising these issues, the Government of China has embarked on new initiatives of water price adjustments in 2009. In 2010, Shanghai and Tianjin raised water prices, causing many other cities to follow. The increase in water prices is an effort to promote water conservation and sustainable use of water resources. Additional correctional measures are also on the way as China expedites the implementation of the tiered water tariff in all Chinese cities by end of 2015 as proposed by the National Development and Reform Commission.

According to Frost & Sullivan, the average China's industrial portable water tariff has increased gradually at a CAGR of 4.4% from RMB2.30 per m^3 in 2008 to RMB2.85 per m^3 by 2013[67] while its wastewater tariff grows at a CAGR of 4.2% from RMB0.90 per m^3 to RMB1.11 per m^3. Similarly, the average municipal portable water tariff has also increased at a higher CAGR of 3.6% from RMB1.66 per m^3 to RM1.99 per m^3 while its wastewater tariff increased at a CAGR of 4.3% from RMB0.66 per m^3 to RM0.81 per m^3. This reflects the intention of the Chinese Government to use market-based pricing to manage water demand and to achieve greater water conservation.

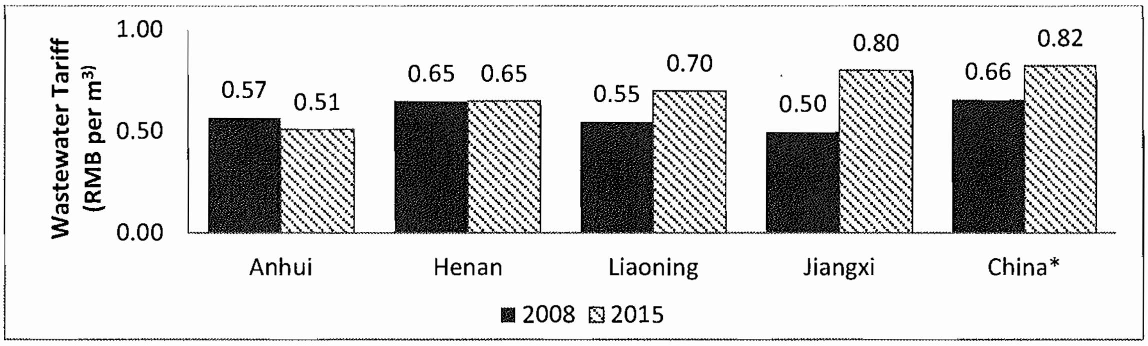
This is a delayed but welcomed development as a study by the World Bank between 2004 and 2009 shows that water utilities generally lack the financial capacity to undertake capital projects despite 84.0% of them generated sufficient revenue to sustain their operation[68]. Business transformation and consolidation of these utilities, many of which were created following privatisation of government's water assets, will improve their operational proficiency[69]. Along with the improved water tariff structure, the financial outlook of water sector institutions especially the water and wastewater operators has already showing signs of great recovery. Losses of water utilities [70] has gone down by 76.2% from RMB1.5 billion (RM 0.9 billion) in 2012 to RMB0.4 billion (RM 0.2 billion) in 2013[71].

Industrial wastewater treatment command a higher tariff than municipal's as varying wastewater characteristics demands high degree of expertise to ensure compatibility of treatment under various technologies. In addition, most industries only generated relatively small volume of industrial wastewater, which impaired the project feasibility as private corporations usually incur significant cost of borrowing to finance a wastewater treatment facility[72].

Chart 4:5: Growth in China Water and Wastewater Tariff for Municipal sector in Selected Provinces (in RMB per m^3), 2008 and 2013



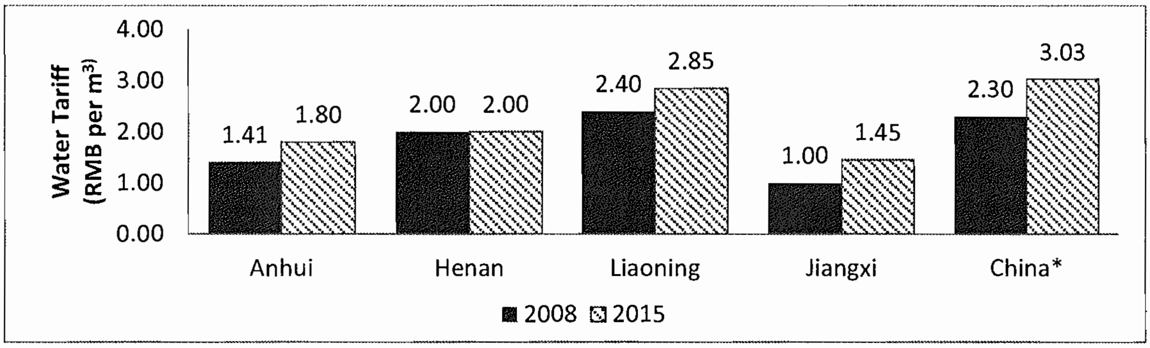
[66] IMF Working Paper – WP/15/68 (2015)
[67] Based on 34 major cities' tariff data sourced from H2O-China
[68] Urban China – Toward Efficient, Inclusive and Sustainable Urbanisation (2014)
[69] China 2030 – Building a Modern, Harmonious, and Creative Society (2013)
[70] Production and Distribution of water,
[71] Industrial Profits from Principal Business 2013, National Bureau of Statistics China.
[72] World Bank - Private Participation in Infrastructure in China

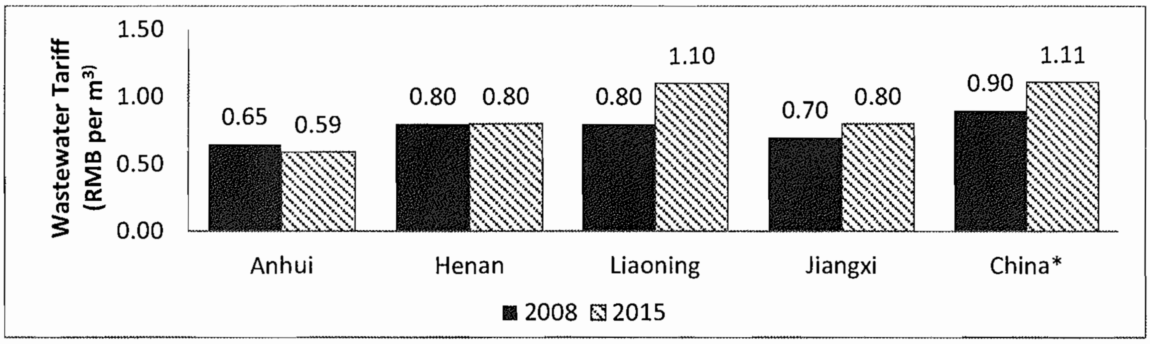


Note: * Based on average tariff for 35 major cities, excluding Tibet Autonomous Region due to data unavailability for waste water tariffs

Source: H20-China and Frost & Sullivan estimates

Chart 4:6: Growth in China Water and Wastewater Tariff for Industrial sector in Selected Provinces (in RMB per m^3), 2008 and 2013





Note: * Based on average tariff for 35 major cities, excluding Tibet Autonomous Region due to data unavailability for waste water tariffs

Source: H20-China and Frost & Sullivan estimates

Rapid Growth of Water Intensive Industries

China is among the fastest growing economies in the world. Between 2008 and 2014, China's GDP grew at a CAGR of 12.2% from RMB31,873.7 billion (RM17,976.8 billion) in 2008 to RMB63,436.7 billion (RM35,778.3 billion) in 2014. In 2014, the GDP output from the industrial sector had grown from RMB13,026.0 billion (RM7,346.7 billion) in 2008 to RMB21,068.9 billion (RM11,882.9 billion) registering a CAGR of 10.1%. The International Monetary Fund ("IMF") forecasts that China's economy will reach RMB90,684.5 billion (RM51,146.1 billion) by 2018.

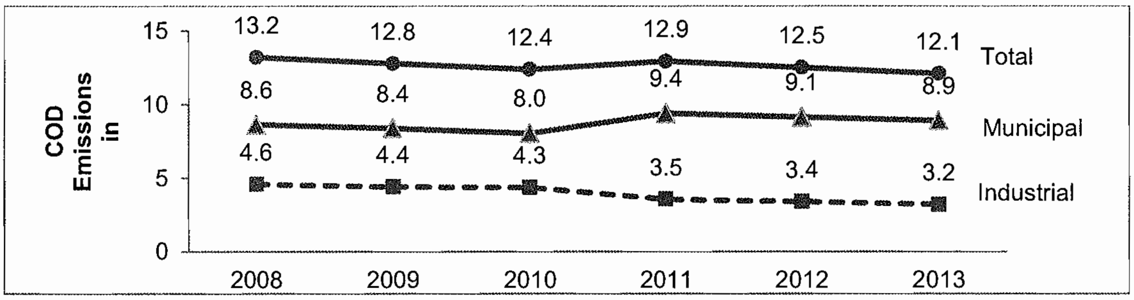
Rapid industrialisation is expected to increase water consumption for industrial usage. China plans to invest in industries such as coal mining, power generation, pulp and paper which are water-intensive industries. For example, China plans to boost coal production in four of its Northern and Western provinces, with annual output of coal in those areas expected to reach

2.2 billion tonnes or 56.0% of the country's forecast total production of 3.9 billion tonnes by 2015. In addition, 16 large coal-fired power stations are also planned to be built in these provinces.

The Government of China is committed to ensure that there is sufficient water supply for the industrial usage by engaging more water industry players. In 2014, the Ministry of Environmental Protection announced an allocation of RMB2.0 trillion (RM1.1 trillion) to address water and wastewater pollution through expansion of existing infrastructure. This will catalyse a strong demand for water treatment, wastewater treatment and recycle water treatment.

Investment in water and wastewater treatment has yielded positive results during the 11th FYP. Despite greater water consumption, the severity of pollution through the wastewater discharged, measured by the Chemical Oxygen Demand ("COD") emission, declined at a rate of 1.7% annually from 13.2 million tons in 2008 to 12.1 million tons in 2013. In the same period, the stringent regulations and monitoring over the industrial sector resulted in the decline of COD emissions at a CAGR of 6.9% while municipal sector recorded a marginal increase at 0.6% annually.

Chart 4:7: Changes in Severity of Wastewater Discharged by Sector (in million tons), 2008 to 2013



Source: China's National Bureau of Statistics

Growth in Population and Rapid Urbanisation

The population of China has grown from 1,328 million in 2008 to 1,367 million in 2014 at a CAGR of 0.5%[73]. Simultaneously, the urbanisation rate has grown from 47.0% in 2008 to 54.8% in 2013. As a result, the urban population has increased by 107.1 million from 624.0 million in 2008 to 749.2 million by 2014.

According to the National Population and Family Planning Commission of China, the population of China is expected to continue growing and reaching 1.5 billion by 2020 at a stabilised annual growth of about 1.0%. This will continue to drive up the demand for public utility infrastructure including water. At the same time, with increasing mobility of the population of China, as planned by the government to push forward urbanization in an active and stable manner. In the next 20 to 30 years, China expects the population in urban areas to continue growing. During that period, it is estimated 300 million people will migrate from rural China to urban China, many of which to eastern China. The population growth in China especially in the urban areas will trigger an increase of water demand.

Industrialisation of the Inland Provinces in China

The Rise of Central China Plan was announced by Premier Wen Jiabao in 2006[74] as part of China's overall strategy in promoting a coordinated development of the less developed inland

[73] National Bureau of Statistics of China
[74] Source: *"Wen Jiabao: Plan to Boost the Rise of Central Region"*, Invest in China, September 25, 2009.

regions of China. The Government of China is encouraging the migration of foreign investment in the labour-intensive industries from the coastal regions to the inland[75].

The six inland provinces are Shanxi, Anhui, Henan, Jiangxi, Hunan and Hubei. These provinces income are expected to grow at 10.0% to 12.0% annual rates given the sizeable scale of government-led investment initiatives as they are positioned to become China's major grain production base, production base of raw materials and energy sources, new and high-tech industrial base, manufacturing base of modern equipment and comprehensive transportation hubs.

However, economic expansion in the central area is not limited to government planners who are developing cities in the central zone. Market forces such as rising cost of production and higher cost of living in the coastal regions have caused a paradigm shift to the inland where it is more cost-effective for businesses to operate.

It is clear that a combination of factors have contributed to the rising popularity of setting up industries and businesses in the inland region. With robust government support in driving growth in Central China, demand for industrial water supply and treatment facilities will inevitably increase as more industrial activities start to take-off.

Ever stringent industrial wastewater pollutant discharge standards drive industrial wastewater recycling and reuse

Chinese Government increasingly emphasises on energy saving and emission reduction in industry sectors every year leading to requirement on water reuse and wastewater recycling for water-intensive industries such as power plants, etc. On a provincial level, each of the 34 provinces and municipalities has the right to develop and enforce the environmental legislation set by the central government. For the water and wastewater treatment market, regions like Beijing city, Tianjin city, and the Liaoning provinces have their own regional discharge standards that are even more stringent than the national overall directives. Hence, further enhancement in regional discharge standards will lead to greater demand for industrial wastewater treatment to attain highest possible quality of water.

4.3.3 Supply and Demand Conditions in Selected Provinces

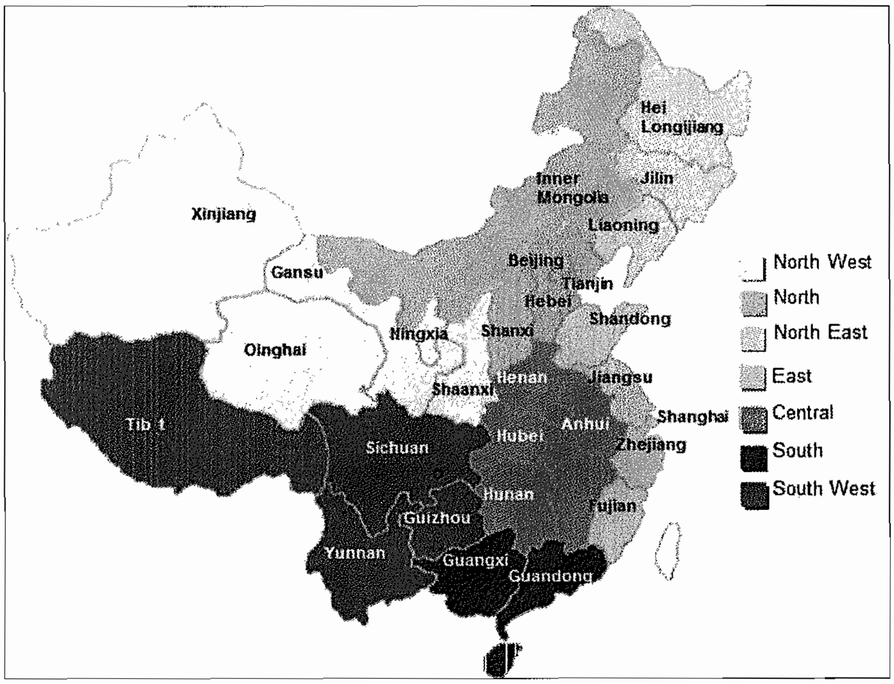
Geographically, China can be divided into seven regions as shown in the map. As there are differences in natural resources and historical development, the East, South and North China are more industrially development than the western part. Top industrialised and urbanised regions are East, North East, North, and South of China, with high regional GDP per capita generated. According to the United Nation,, there is a mark disparity of distribution of water resources - 19% for Northern provinces and 89% for Southern provinces[76]. Nearly half of China's population live in the water shortage Northern provinces. The north is also where most of the country's maize, wheat and vegetables are grown, and where the capital and other mega-cities are located.

Water is even scarcer in the arid lands in the northwest. About 40 % of the water sampled from the major rivers in the north and northeast are unsuitable for most uses, whether recreational, agricultural, or industrial. This creates an even more critical situation to the current critical water shortages in the north and northeast, where freshwater resources are only 785 m^3 per capita, about 200 m^3 below the international standard for "severe water stress".

[75]Source: 2011 Foreign Investment Industrial Guidance Catalogue published by The National Development and Reform Commission ("NDRC") and Ministry of Commerce ("MOC")

[76] UNDP – Impacts of and Vulnerability and adaptation to Climate Change in Water Resources

Figure 4:2: Key Region for Water and Wastewater Treatment Market in China, 2014



Source: Frost & Sullivan

Table 4:1: Key Regional Characteristics, 2014

Region	Population (million)	Urban Population (million)	Urban Population (percentage)	Regional GDP (RMB 'billion)	Regional GDP Per Capita (RMB)
North East	109.8	66.8	60.8	5,747.0	52,359
North	172.1	102.0	59.3	9,700.3	56,378
East	294.9	186.7	63.3	21,228.5	71,988
South	163.8	99.7	60.8	8,696.6	53,090
Central	326.1	160.9	49.3	12,591.2	38,607
South West	196.7	90.1	90.1	6,578.8	33,444
North West	99.1	47.7	47.7	3,884.3	39,199
CHINA	**1,362.5**	**753.9**	**55.3**	**68,426.7**	**50,223**

Note: Population excludes non-residents. The values of Regional GDP differs from national GDP as the former is a measurement of a region's output i.e. the sum of value added from all industries of its resident in the region.

Source: National Bureau of Statistics China

Anhui

In 2013, the total water supply to the province was 81,096 MLD, of which approximately 54.7% was consumed by the agricultural sector. The industrial and domestic sectors consumed 33.2% and 10.6% respectively, while the remaining 1.4% was for environmental usage. The water tariff for municipal sector has increased from RMB1.29 per m^3 in 2008 to RMB1.55 per m^3 in 2013.

Subsequently, about 10,117 MLD of wastewater was discharged in 2013. This represents growth at a CAGR of 9.5% from 6,418 MLD in 2008. The wastewater tariff for municipal sector has decreased from RMB0.57 per m^3 in 2008 to RMB0.51 per m^3 in 2013. Under the 12th FYP, the central government has allocated RMB10.6 billion (RM6.0 billion) for the proposed addition of 194 municipal WWT units between 2011 and 2015 in the province. Meanwhile, there are about 2,444 industrial WWT units in 2013. The treatment capacity of the industrial WWT units declined at a CAGR of 1.0% from 13,899 MLD in 2008 to 13,199 MLD in 2013.

Henan

In 2013, the total water supply to the province was 65,918 MLD of which approximately 58.9% was supplied to the agricultural sector. The industrial and domestic sectors consumed 24.7% and 13.9% respectively, while the remaining 2.5% was for environmental usage. The water tariff for municipal sector remains unchanged at RMB1.60 per m^3 since 2008.

Subsequently, about 15,678 MLD of wastewater was discharged in 2013. This represents growth at a CAGR of 5.9% from 11,758 MLD in 2008. The wastewater tariff for municipal sector remains unchanged at RMB0.65 per m^3 since 2008. Under the 12th FYP, the central government has allocated RMB15.1 billion (RM8.5 billion) for the proposed addition of 230 municipal WWT units between 2011 and 2015. Meanwhile, there are about 3,306 industrial WWT units in 2013. The treatment capacity of the industrial WWT units declined at a CAGR of 0.8% from 14,847 MLD in 2008 to 14,260 MLD in 2013.

Jiangxi

In 2013, the total water supply to the province was 72,548 MLD of which approximately 66.4% was consumed by the agricultural sector. The industrial and domestic sectors consumption was 22.7% and 10.2% respectively. The remaining 0.8% was consumed by the environmental sector. The water tariff for municipal sector has increased from RMB0.88 per m^3 in 2008 to RMB1.18 per m^3 in 2013.

Subsequently, the wastewater discharged in the province has grown at a CAGR of 8.3% from 5,285 MLD in 2008 to 7,871 MLD by 2013. The wastewater tariff for municipal sector has increased from RMB0.50 per m^3 in 2008 to RMB0.80 per m^3 in 2013. No proposed allocation on the addition of municipal WWT unit was reported for the province under the 12th FYP. Despite that, there are about 2,543 industrial WWT units in 2013. The treatment capacity of the industrial WWTP grew the most amongst the selected region at a CAGR of 18.6% from 6,333 MLD in 2008 to 14,866 MLD in 2013.

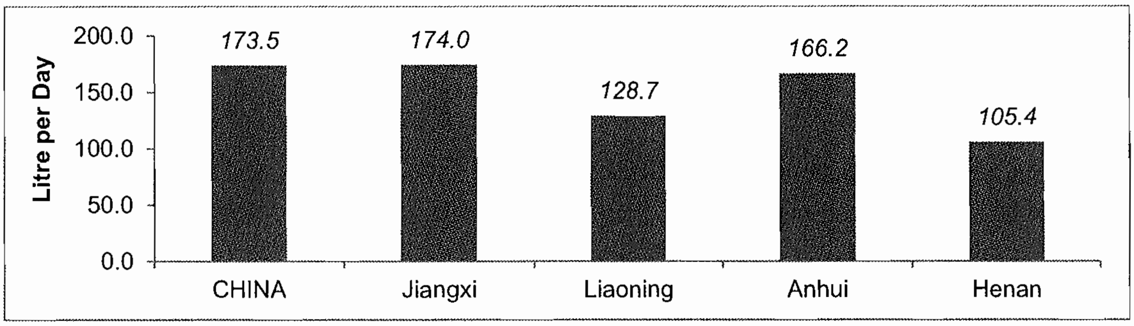
Liaoning

In 2013, the total water supply to the province was 38,932 MLD of which approximately 63.9% was consumed by the agricultural sector. The domestic and industrial sectors consumed 16.5% and 16.0% respectively. The remaining 3.6% was consumed by the environmental sector. The water tariff for municipal sector has increased from RMB1.95 per m^3 in 2008 to RMB2.05 per m^3 in 2013.

Subsequently, the wastewater discharged in the province has grown at a CAGR of 1.2% from 8,406 MLD in 2008 to 8,911 MLD by 2013. The wastewater tariff for municipal sector has increased from RMB0.55 per m^3 in 2008 to RMB0.70 per m^3 in 2013. Under the 12th FYP, the central government has allocated RMB25.3 billion (RM14.3 billion) for the proposed addition of 409 WWTP between 2011 and 2015. There are about 2,290 industrial WWTP in 2013. The treatment capacity of the industrial WWTP grew at a CAGR of 7.2% from 11,569 MLD in 2008 to 16,375 MLD in 2013.

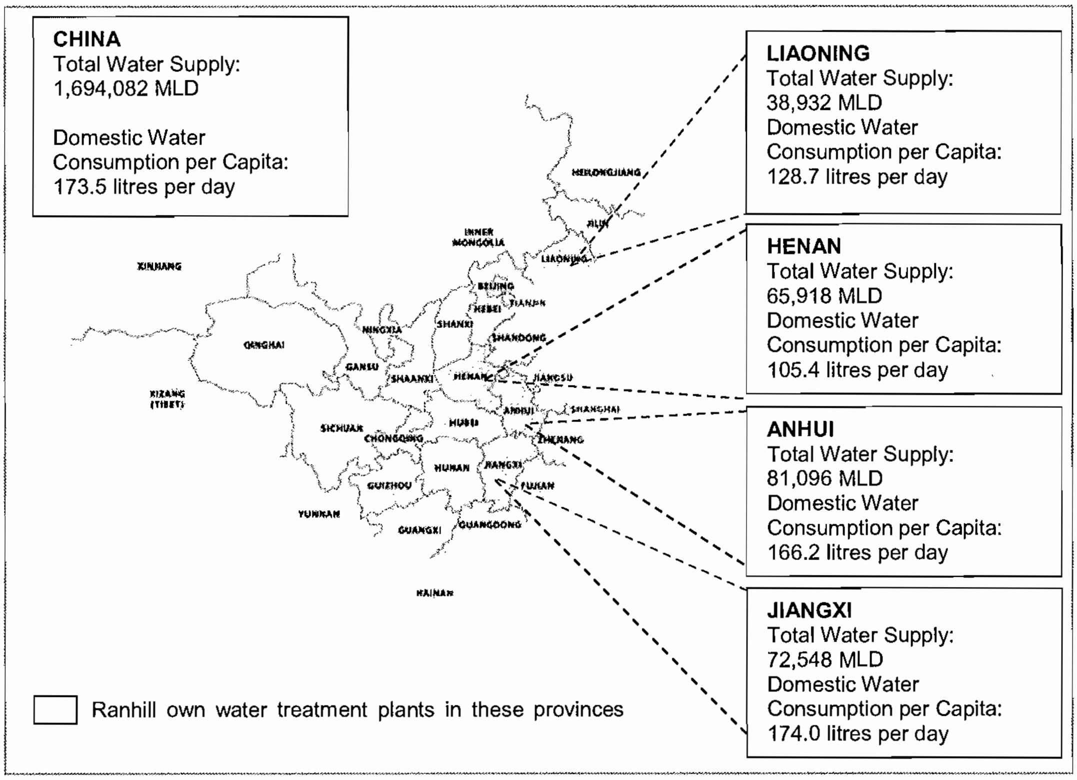
The domestic consumption per capita for these provinces is compared against the national consumption per capita for 2013. With the exception of Jiangxi, these provinces show per capita consumption lower than the national average.

Chart 4:8: Domestic Water Consumption per Capita in China and Selected Provinces, 2013



Source: National Bureau of Statistics China

Figure 4:3: Supply and Domestic Water Consumption, 2013

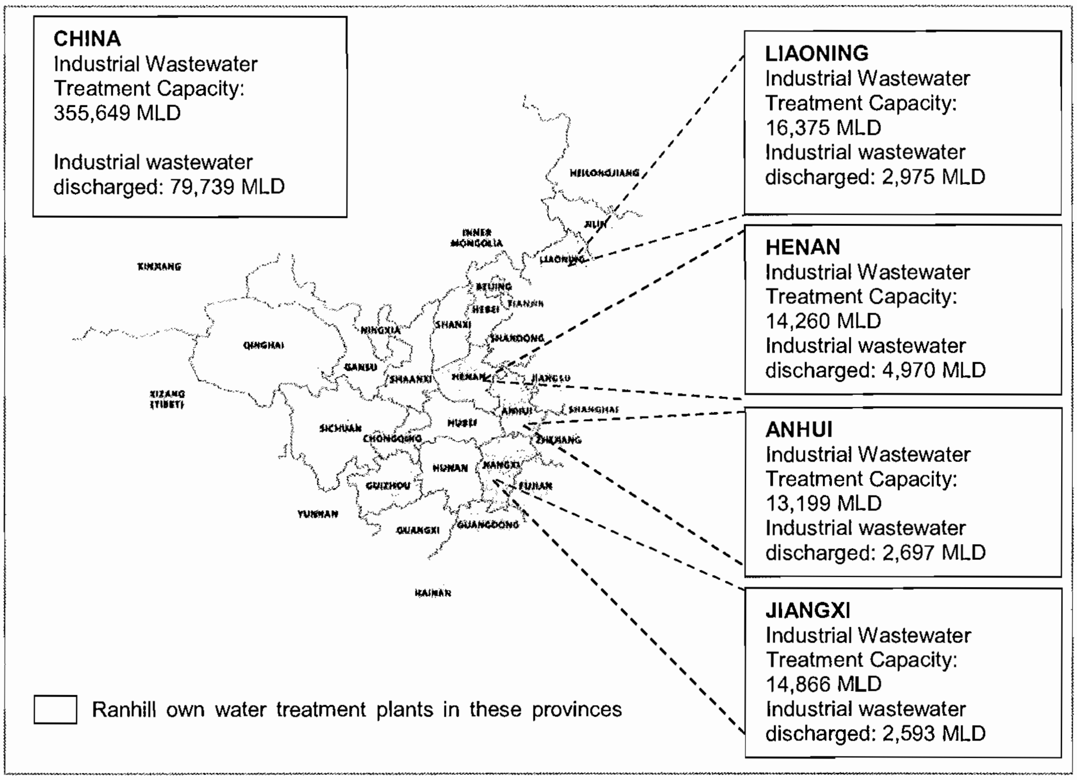


Note: Water supply data is based on latest published provincial government data.

Sources: Provincial Government Data, National Bureau of Statistics and MWR

Urbanisation in China will put pressure on existing domestic wastewater treatment plants which already have high utilisation rate exceeding 89.3% in 2013. This situation is also observed in the provinces of interest - Anhui, Henan, Jiangxi and Liaoning. The Government has shown their commitment towards improving the wastewater treatment capacity and has set targets to achieve by 2015 as reflected in the table below. Based on the latest information on the wastewater discharged, Frost and Sullivan estimated there is at least 100,000 MLD of shortfall of municipal wastewater treatment capacity in China. As of 2013, only Liaoning has met its target capacity under 12FYP. Going forward, larger capacity shortfall is expected as the volume of wastewater discharged in 2013 has already exceeded the targeted capacity of 2015 outlined by the 12th FYP.

Figure 4:4: Industrial Wastewater Discharged and its Treatment Capacity (in MLD), 2013



Sources: Ministry of Environmental Protection

Table 4:2: Combined Wastewater Discharged (in MLD) for Selected Provinces, 2008-2013

Province	Wastewater Discharged (MLD)						
	2008	2009	2010	2011	2012	2013	CAGR (%)
Jiangxi	5,285	5,594	6,111	7,397	7,656	7,871	8.3
Liaoning	8,406	8,261	8,299	8,836	9,087	8,911	1.2
Anhui	6,418	6,838	7,002	9,247	9,665	10,117	9.5
Henan	11,758	12,671	13,623	14,384	15,358	15,678	5.9
CHINA	**217,542**	**224,391**	**234,893**	**250,685**	**260,388**	**264,268**	**4.0**

Source: Provincial Government Data, National Bureau of Statistics and Frost and Sullivan

Table 4:3: Current and Target Municipal Treatment Capacity (in MLD) for Selected Provinces, 2013 and 2015F

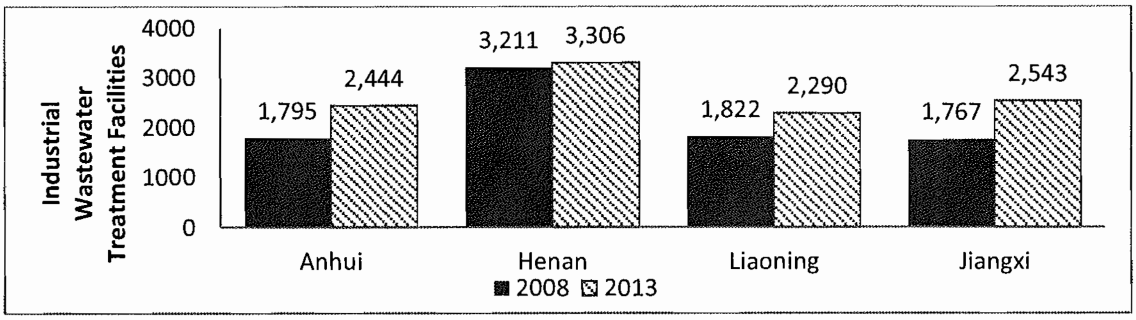
Province	Wastewater Treatment Capacity (MLD)		
	2013	2015F	Projected CAGR (%)
Jiangxi	2,124	4,909	52.0
Liaoning	7,482	7,182	n.a.
Anhui	4,018	6,740	29.5
Henan	5,252	8,562	27.7
CHINA	**124,542**	**170, 450**	**17.0**

Source: Provincial Government Data, National Bureau of Statistics and Frost and Sullivan

The Chinese Government has been effective in its implementation of the environment policy which has communicated awareness particularly to the industry. Continuous reforms on its pollution emission standards including wastewater along with stringent enforcement have compelled the industry to increasingly prioritise environmental protection. This is evident as there are 80,298 industrial wastewater treatment facilities in 2013, compare to 78,725 in 2008. Similar trends are also observed at the selected provinces.

According to the IMF[77], China collected about 1.5% of its GDP in 2011 in environmental taxes and fines. In early 2014, the Standing Committee of the National People's Congress ("NPC") take a step further by lifting the cap on fines for environmental violation. Furthermore, the NPC has also made revision that empowers the local authorities to detain violators and shut down or seizes facilities and equipment from companies that are discharging or emitting pollutants illegally or failing to meet the stipulated discharge standards. The revision took effect from January 2015.

Chart 4:9: Growth of Industrial Wastewater Treatment Facilities in Selected, 2008 to 2013



Source: Ministry of Environmental Protection

According to China Water Risk[78], while the volume of industrial water discharge is reported to be on the declining trend, it is notable that the current mismatch between the less stringent waste water discharge standards and the environmental water quality standards may potentially results in the underestimation of waste water discharged in China. China's waste water discharge practice is primarily administered by three main standards, namely the Integrated Waste Water Discharge Standard, the Discharge Standard for Pollutants for Municipal Waste Water Treatment Plants and the discharge standards for industrial pollutants. Under the Discharge Standard for Pollutants for Municipal Waste Water Treatment Plants, waste water discharge into Grade III water bodies are restricted to a significantly higher COD limit of 60 milligrams per litre, compared the environmental water quality standards of 20 milligrams per litre. Similar comparisons with other classifications of waste water discharge standards have also illustrated marked disparity with the environmental water quality standards.

4.3.4 Government Initiatives to Promote the Water Industry

In 2008, the Government of China unveiled its RMB4.0 trillion (RM2.3 trillion) stimulus economic package to recover the economy from the negative impact of the global economic slowdown on China's domestic economy. The package allocated RMB20.0 billion (RM11.3 billion) to rural water conservation projects, aimed to reinforce water reservoirs, conserve key irrigation areas and improve drinking water safety. The package also allocated RMB370 billion (RM208.7 billion) for the development of rural infrastructure, including water supply system. A budget of RMB350.0 billion (RM197.4 billion) was allocated to environmental protection projects, including domestic water and wastewater treatment projects.

To further promote the water infrastructure in China, MOHURD and NDRC announced a 5-year and long-term plan to reform the sector, *"Renovation and construction plan for urban water infrastructure for 2011-2015 and long-term vision till year 2020"*. The main target is to ensure

[77] IMF Country Report No. 14/235
[78] China Water Risk: Fundamental Issues: Industrial Water, March 12 2014

the quality of water supplied to urban China meets the national standard. The plan will also focus on expanding access rate to tap water in towns and townlets to between 75.0%-85.0% by 2015. The plan provided targets to minimise the problem of water leakage in its distribution system at 80.0% and 60.0% of its cities and towns respectively.

The Government of China plans to inject RMB410.0 billion (RM231.2 billion) into the national water industry to achieve the above mentioned targets, whereby RMB46.5 billion (RM26.2 billion) will be channelled towards the upgrading of existing water treatment plants, RMB83.5 billion (RM47.1 billion) for the upgrading of existing water distribution system, RMB94 billion (RM53.0 billion) for capacity building of water treatment plants, RMB184.3 billion (RM104.0 billion) for building new water distribution systems, RMB1.5 billion (RM0.9 billion) for water quality monitoring, and RMB200.0 million (RM112.8 million) for emergency water supply capability.

4.3.5 Competitive Landscape in China

In 2014, the water treatment industry in China remains highly fragmented. Although, there are many private operators involved, even the largest industry participants have a single digit market share in the overall national market. There are trends of consolidation as the government seek to improve the industry's operational margin and efficiency, especially among the state-owned enterprises through privatisation of government-owned water and wastewater treatment capacity. The profile of the key private players are summarised in the following table.

Table 4:4: Profile of Key Industry Players, 2014

Company	Main Business	Company Structure	Geographic Coverage
Anhui Guozhen Environment Protection Technology JSC, Ltd	• Municipal waste water treatment • Industrial waste water treatment • Sludge treatment • Wastewater treatment equipment supply	Joint equity between Anhui Guozhen Environment Protection Energy-saving Technology, Ltd and Marubeni Corporation of Japan	As of 2012, company operates 38 sewage treatment plants in 7 provinces, including Hebei, Henan, Jiangsu, Anhui, Hunan, Guangdong and Yunnan
Beijing Capital Co., Ltd.	• Urban water supply • Water treatment • Sewage disposal • Waste water treatment	Government is the majority stakeholder. Listed on the Shanghai Stock Exchange	Beijing, Tianjin, Hunan, Shanxi, Anhui and 10 other provinces
Beijing Enterprises Water Group, Ltd.	• Water supply, water supply plants • Waste water treatment plants	This company is the flagship of Beijing Enterprises Holdings Limited and listed on the Hong Kong Stock Exchange	90 plants with locations in Beijing, Guangdong, Zhejiang, Shandong, Anhui, Hunan, Sichuan, Guangxi, Hainan, Guizhou, Yunnan and northern east region
China Everbright International, Ltd.	• Solid waste & waste-to-energy • Waste water treatment • Reusable water treatment • Renewable Energy • Water treatment technologies	Privately-owned enterprise listed on the Hong Kong Stock Exchange, subsidiary of China Everbright Holdings Company, Ltd.	21 waste water treatment projects in Shandong (Qingdao, Zibo, Binzhou, Jinan, Dezhou, Zhangqiu), Jiangsu (Jiangyin)
Sound Group	• Water supply • Waste water treatment • Industrial water supply and industrial waste water treatment • Sludge treatment	Privately-owned enterprise in China	60 treatment plants in Inner-Mongolia, Beijing, Shan'xi, Henan, Jiangsu, Hubei, Zhejiang, Jiangxi
Sino French Water Development Co. Ltd	• Water production • Industrial water treatment • Sewage treatment • Sludge treatment	The company is founded through partnership between Suez Environment of France and NWS Holdings Limited of Hong Kong	24 contracts in 17 Chinese municipalities

Company	Main Business	Company Structure	Geographic Coverage
	• Other investments		
Veolia Water China	• Water and wastewater services	Its parent company is Veolia Global, a global enterprise started in Europe. Veolia Water China also has a JV with Beijing Capital Co., Ltd.	Veolia Water now operates in half of the 34 provinces, municipalities, autonomous regions and special administrative regions.
General Water of China Co., Ltd.	• Water supply • Drainage system • Waste water treatment • Water recycle	It is established jointly by China Energy Conservation & Environmental Protection Group and Shanghai Industrial Holdings Limited in Nov. 2003	Not Available
China Water Investment Co, Ltd.	• Water supply & treatment • Water drainage system • Waste water treatment • Sludge treatment	State-owned company, controlled by Sinohydro Corporation and Ministry of Water Resources	Beijing, Shanghai, Zhejiang, Jiangsu, Sichuan, Shandong, Xinjiang, Inner Mongolia
Kangda International Environmental Company, Ltd.	• Waste water treatment • Water supply • Reclaimed water services	Privately-owned enterprise listed on the Hong Kong Stock Exchange	48 wastewater treatment projects covering 27 cities in 9 provinces, including Anhui, Henan, Heilongjiang, Shandong, Tianjin, Jilin, Hebei, Jiangsu and Beijing
Shenzhen Water Investment Co., Ltd.	• Municipal water supply • Water treatment • Waste water collection • Water drainage system	Investment arm of Shenzhen Water Group (holdings), which is controlled by the Shenzhen municipal government.	Not available
SIIC Environment Holdings Ltd.	• Municipal water supply • Water Treatment • Wastewater treatment • Waste Incineration	Majority owned by the Shanghai Industrial Holdings Limited with China Energy Conservation (46.7%) & Environmental Protection Group as the second largest shareholder (13.0%) Listed in the Singapore Stock Exchange.	SIIC operates 59 WTP and 3 waste incinerators in 14 municipalities and provinces in China
Tianjin Capital Environmental Protection Limited	Main business is waste water treatment	It is a public listed company on the Shanghai Stock Exchange	Main business is in Tianjin, also have operations in Guizhou, Yunnan, Jiangsu, Hubei, Anhui
Golden State Environment Group Corporation	• Environment - Water supply - Waste water treatment - Solid waste treatment through BOT, PPP and TOT. • Renewable energy • Other infrastructure	Wholly owned subsidiary of the Golden State Holding Group Corporation, which is a private-owned enterprise.	Include Beijing

Note: This list is non-exclusive and not limited to these players. The companies listed are in no particular order.

Source: Company websites and Frost & Sullivan

4.4 RELEVANT LAWS AND REGULATIONS

4.4.1 Regulating Authorities

The Central Government of China is the highest executive organ of state power and has the sole authority in setting the guidelines of legislative regulations for the country, while the provincial-level governments also formulate local regulations. Regulating the water industry in China is a challenging task due to the large population and large land area. There are 31 province-level divisions, including 22 provinces, 5 autonomous regions, 4 municipalities (Beijing, Shanghai, Tianjin and Chongqing) in mainland China. After policies are developed by the central government, the provincial-level governments can interpret the regulations to recognize and reflect regional differences by means of provincial and local policies. The laws and regulations of different levels co-exist in China's legislation system.

The authorities being responsible for the water industry in China and their roles are appended in the table below:

Authority	Role and Responsibility
Ministry of Environmental Protection of the P.R.C ("MPE")	The MPE at various levels shall be the organs exercising unified supervision and management of prevention and control of water pollution. Its key responsibility for water industry includes planning for pollution prevention and control in key regions and river basins, environmental protection planning for drinking water source area, pollution prevention and control of key watershed, regions and marine areas.
MWR	The primary responsibility of MWR is to ensure the sustainable development of water resources in China, its key mandates include but not limited to: • Ensure water resources are rationally developed and utilized; formulate water resources development strategies • Take charge of water resource protection, organize and draft water resource protection plans • Take charge of water conservation • Monitor water quality and quality in rivers and lakes, issue water extraction permits, proposes water pricing policies
MOHURD	MOHURD provides housing and regulates the state infrastructure activities in the urban areas of China. Its key responsibilities for water industry includes : • Water supply and drainage system in cities, towns and townlets • Water saving engineering work in urban China • Urban waste water treatment • Water supply for public facilities
Ministry of Land and Resources (MLR)	MLR is primarily responsible for planning, administration, protection and rational utilization of its natural resources. Its key responsibility for water industry is to supervise the monitoring and prevention of the over-extraction and contamination of groundwater and protect geological environment.
NDRC	Pollution levy policy, wastewater treatment pricing policy, water pricing policy, industrial policies affecting wastewater discharge and treatment

4.4.2 Acts

The relevant acts and regulations that govern the water industry in China are presented as followings:

Act	Details
Water Law of the People's Republic of China	Water Law of the P.R.C was initially adopted at the 24th Meeting of the Standing Committee of the Sixth National People's Congress on January 21, 1988; revised at the 29th Meeting of the Standing Committee of the Ninth National People's Congress on August 29, 2002 and promulgated The Act covers the following: • General provisions • Planning, development and utilization for Water Resources • Protection of Water Resources, Water Areas and Waterworks • Allocation and Economical Use of Water Resources

Act	Details
	• Resolution of Water Disputes and Supervision over and Inspection of Law-enforcement
Law of the People's Republic of China on Prevention and Control of Water Pollution	The act was passed on May 11th, 1984 and came into effect on November 1st 1984. This law is enacted for the purposes of preventing and controlling water pollution, protecting and improving the environment, safeguarding human health and ensuring effective utilization of water resources. This Law is not applicable to prevention and control of marine pollution, which is provided for by a separate law The Act covers the following: • Establishment of standards for water environment quality and for discharge of water pollutants • Supervision and management of prevention and control of water pollution for surface water and ground water
Technological Policy for Treatment of Municipal Sewage and its Pollution Control	The act came into effect on May 29th 2000. The act articulates the requirements for sewage collection systems, wastewater and sludge treatment methods. The urban wastewater treatment shall also fulfil wastewater reclamation objectives. Efficient measurers should be taken to keep secondary pollution under control.
Pollution Prevention Requirement for Drinking Water Sourcing Areas	The act was gazetted on July 10th 1989 and came into effect on the same day. The Act was formulated for the purpose of protecting the surface and ground water within the territory of the P.R.C. The Act segregate water resourcing areas according to water quality standards and water protection methods. It also specifies different prohibited behaviours in hierarchical water protection zones.
Administrative Measures for Urban Drainage License	The Measures were promulgated by the Ministry of Construction on 25th December 2006 and came into effect on 1st March 2007. The Measures apply to the applications for urban drainage licenses within the territory of the PRC, as well as to the supervision and administration of the drainage entities' draining sewage into the urban drainage pipe network and its accessory facilities.
Circular Economy Promotion Law	The law was passed in the 4th meeting of Standing Committee of the 11th National People's Congress of the P.R.C on 29th August 2008 and came into effect in 1st January 2009. Water saving, reusing and recycling activities are promoted in both industrial activities and agricultural activities. The government will conduct stringent monitoring of high water consumption and high-emission industries. Regarding agriculture, effort should be put into water-saving irrigation facilities and so on in order to improve water use efficiency.
Soil and Water Conservation Law	This Law was initially passed on June 29th 1991 and last formulated on December 25th 2012. The law is for the purpose of the prevention and control of soil erosion, the protection and rational utilization of water and soil resources, the mitigation of disasters of flood, drought and sandstorm, the improvement of ecological environment and the development of production.

4.5 INDUSTRY OUTLOOK IN CHINA

Despite having 6.6% of the world's freshwater resources, China only uses about 19.7% of its freshwater resources in 2013[79], largely due to pollution issues. According to the World Bank, more than half of China's major rivers are deemed unsuitable for human contact. It is reported that 20.7% of the municipal wastewater discharged into waterways did not meet the stipulated standards, polluting the already scare water resources. The escalating demand for water in the

[79] Frost & Sullivan estimates based on the latest available data (2013) on the total internal renewable freshwater resources and its total withdrawal from the World Bank.

country incites urgency for the Chinese Government to reclaim water through sustainable water management. Between 2006 and 2010, about RMB1.0 trillion (RM564.0 billion) was invested in the water management industry as laid out by 11th Financial Year Plan. Under the 12th FYP, the amount of investment has escalated to RMB5.0 trillion (RM2.8 trillion) between 2011 and 2015.

More investment is also expected to be injected into the water segment by the private sector. The industrial sector has made a total investment of RMB319.5 billion (RM180.2 billion) between 2008 and 2013 on industrial wastewater facilities which significantly reduces COD emissions. Stringent environmental regulation and its enforcement have been successful in attaining industrial discharged compliance rate exceeding 95.0% by 2010. This will continue to be a catalyst for demand in wastewater treatment facility.

China is also actively using economic tools such as proper pricing mechanisms and modification of subsidies to support for the sustainable management of China's limited water resources. As proposed by the National Development and Reform Commission, implementation of the tiered water tariff in all Chinese cities by end of 2015 will significantly improve the financial outlook of the sector. These efforts made by The Government of China have stimulated the national water industry and paved the way for a rapid expansion in the past few years. The demand for treated water is expected to continue rising (mainly for domestic and industrial usage). China needs to manage its rapidly growing demand for treated water by upgrading its current treatment plants with advanced technology, employing high-efficiency pumps in its distribution system, improving water usage efficiency and increasing the recycling and reusing of treated wastewater.

With the utilisation of wastewater treatment capacity already surpassing 89.3% by 2013, augmentation of wastewater treatment capacity is vital to meet the sanitation needs of growing population especially in urban areas. According to the 12th FYP, about 36.0 million affordable housing units will be built in major cities and counties between 2011 and 2015 which will drive urbanisation rate to 51.5%. In view of China's treated water demand projected to reach 2,280,274 MLD by 2050[80], the 12th FYP also outlined new wastewater treatment capacity addition of 45,700 MLD while 26,100 MLD of existing capacity will be upgraded to meet more stringent water quality standards by 2015. Furthermore, the government also aims to boost penetration rate of sanitation and wastewater treatment in rural areas by at least 50% by 2015.

The wastewater treatment sector in China is significantly underserved and presents great growth potential especially for foreign players who have the advanced technology and equipment.

5 BRIEF OVERVIEW OF THE WATER SUPPLY INDUSTRY IN THAILAND

5.1 INDUSTRY BACKGROUND AND STRUCTURE

Thailand's water supply industry is matured with 97.8% of its population having access to improved water source, and 93.4% with access to improved sanitation facilities in 2014[81]. In 2009, there were 1,538 water treatment plants in Thailand operated by the water authorities and municipals, and a further 50,257 small water treatment facilities in the rural areas, much of which were aging and inefficient. The total operational capacity of water treatment plants in Thailand was 9,000 MLD. On the other hand, the wastewater treatment industry in Thailand is underdeveloped with insufficient water treatment plant capacity throughout the country. It is reported that the total wastewater treatment capacity in Thailand stands at only 3.3 MLD in 2014 although there are plans by the Government to augment its total capacity to 44.1 MLD by 2025[82].

The central Government of Thailand via its related ministries is responsible for the development of policies related to the water industry, whereas the governance for the development of water

[80] Source: Chinese Academy of Sciences
[81] Source: World Bank Database, http://data.worldbank.org/indicator/SH.H2O.SAFE.ZS
[82] Global Water Partnership - National Consultation Report for Thailand (2013)

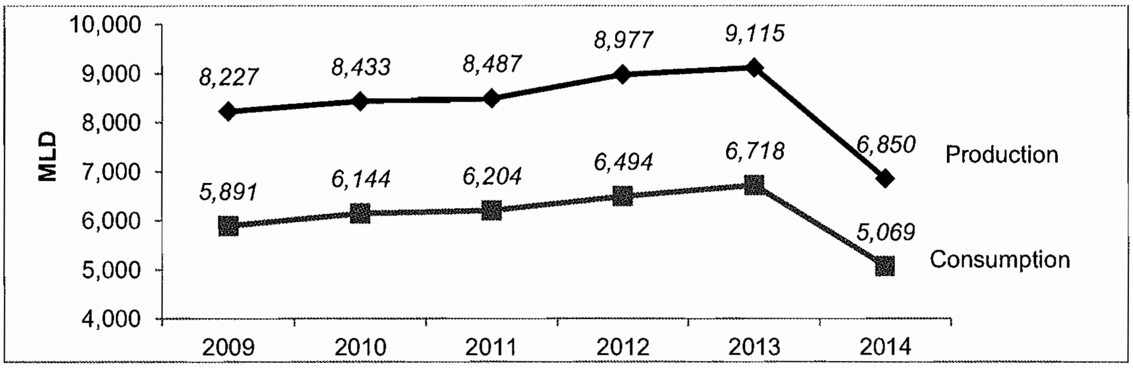
supply infrastructure falls under provincial and local authorities' jurisdiction. Municipal water distribution in Thailand is mainly managed by the Provincial Waterworks Authority ("PWA"), whereas the Metropolitan Waterworks Authority Thailand ("MWAT") manages distribution to Bangkok, Nonthaburi and Samut Prakan provinces. Its water supply service companies comprise public and private operators. Meanwhile, domestic wastewater treatment in Thailand is not centrally coordinated and managed by municipalities and local authorities.

Thailand's source of raw water for its water supply industry predominantly from rivers as it has a large network of rivers. Nevertheless, there is an increasing problem related to water quality as a result of frequent floods, pollution and salt-water intrusion, making the source of raw water not suitable to be treated in the conventional treatment facilities, worsened by the underdeveloped waste-water treatment industry. Heavy rain and frequent floods causes rivers to be highly silted increasing its turbidity, as well as salt water intrusion into major rivers and water catchment areas.

The major pollutant to its raw water sources is the untreated domestic wastewater discharged back into the environment as well as chemicals from the agriculture industry that may run into rivers and groundwater as a result of heavy rain. In 2012, there were only 101 wastewater treatment plants in Thailand, mainly located in the urban areas and the Ministry of Natural Resources and Environment ("MNRE") estimated that Thailand produced approximately 14.8 million cubic meters of wastewater per day, out of which only 3.2 million cubic meters was treated[83]. The Government, under its Water Policy and Vision, has set a national target to be able to supply sufficient and quality water to the whole country by 2025.

Although Thailand's total water consumption has increased from 5,891 MLD in 2009 to 6,718 MLD in 2013 at a CAGR of 2.2% there is a significant decline in consumption in 2014 to 5,069 MLD. This is due to unfavorable weather conditions[84] with shortened torrential rain and prolonged drought season that affected water production in the country. Although total water produced in 2013 was 9,115 MLD, increased from 8,227 MLD in 2009 at a CAGR of 1.7%, the volume dropped to 6,850 MLD in 2014. Despite the water rationing in 2014, growth in water consumption in Thailand is outpacing the growth in the production of water. Given that 2014 exhibits irregular weather pattern, subsequent discussion will refer to the period between 2009 and 2013 to best reflect on the industry growth unless stated otherwise.

Chart 5:1: Thailand Water Production and Consumption, 2009-2014



Source: NSO, MWA and PWA

Between 2009 and 2013, production and consumption growth was observed to be fastest in provinces outside the metropolitan areas of Bangkok, Nonthaburi and Samut Prakan. During the same period, production CAGR by PWA was 4.7% compared to MWA at 1.0% as illustrated by the following table. Similarly, PWA recorded a consumption CAGR of 4.9% which was faster than the consumption CAGR recorded by MWA at only 2.1%.

[83] http://nationmultimedia.com/national/Just-one-fifth-of-wastewater-is-being-treated-30186545.html
[84] Economic Performance Outlook for 2015 - National Economic and Social Development Board

Table 5:1: Thailand Water Production, 2009-2014

Year	Water Production (MLD)						
	2009	2010	2011	2012	2013	2014	CAGR (%)
PWA	3,470	3,677	3,786	4,145	4,172	1,924	-11.1
MWA	4,757	4,756	4,701	4,832	4,943	4,922	0.7
Total	**8,227**	**8,433**	**8,487**	**8,977**	**9,115**	**6,850**	**-3.6**

Source: NSO, MWA and PWA

Similarly, between 2008 and 2013, PWA recorded a consumption CAGR of 5.2% which was faster than the consumption CAGR recorded by MWA at only 1.7%.

Table 5:2: Thailand Water Consumption based on Sales, 2009-2014

Year	Waste Water Consumption (MLD)						
	2009	2010	2011	2012	2013	2014	CAGR (%)
PWA	2,465	2,632	2,690	2,885	2,989	1,298	-12.0
MWA	3,425	3,512	3,513	3,609	3,729	3,771	1.9
Total	**5,891**	**6,144**	**6,204**	**6,494**	**6,718**	**5,069**	**-3.0**

Source: NSO, MWA and PWA

The marginal growth in MWA's water production between 2009 and 2013 is mainly due to the continuous effort in mitigating water loss or NRW in the same period. Since 2005, MWA started its water loss reduction initiative through planned replacement of damaged and aging pipelines and installing a real-time monitoring system over a mobile telecommunication network to manage its water distribution network[85]. The initiative was a success as reflected by the reduction of NRW from 30.5% in 2005 to 23.4% in 2014[86]. To further improve its reliability, the MWA has approved capital projects with budget amounted to USD12.8 billion (RM44.7 billion) until 2018.

On the contrary, PWA water production experienced a healthy growth of 4.7% from 2009 to 2013. However, the NRW level for PWA has marginally increased from 28.0% in 2005 to 28.3% in 2013. As a result, PWA is working to enhance its water distribution operations by implementing Corporate Strategic Plan No.2, where it aims to achieve operational and service excellence by 2032. PWA has also set up a water loss detection team to implement the systematic management of rate of water loss in 2012[87]. As the water shortage in 2014 has resulted in significant contraction of the agricultural sector, Frost & Sullivan expect the Government of Thailand to introduce a spate of new investment to improve its water resources thus view this situation as favourable to the water supply industry.

5.2 INDUSTRY PROSPECTS AND OUTLOOK

The Government of Thailand is facing increased pressure from the public due to water quality issues and the need to keep up with the rising water demand especially outside of the metropolitan areas. Under its National Water Policy, the Government has committed to develop its water supply industry, and key areas to improve include flood mitigation systems and domestic wastewater treatment infrastructure in order to control the pollution to the water sources. In addition, the aging water treatment facilities need to be upgraded with better technology that will be able to produce water that can meet the quality standards. Further investment in new water treatment facilities is also expected in order to ensure that the future demand for water will be met.

Thailand is currently being hit by water pollution issue, largely due to the lack of waste water management system and irregular rainfall in the past decade. The untreated level of

[85]Source: Yokogawa 2006, "Real-time Management of Large Water Supply Network Using the STARDOM Network-based Control System". [Online: http://www.yokogawa.com/iab/suc/water/iab-suc-mwa-en.htm]
[86]Source: MWAT Operation Highlights, 2010-2014
[87] PWA Annual Report 2012

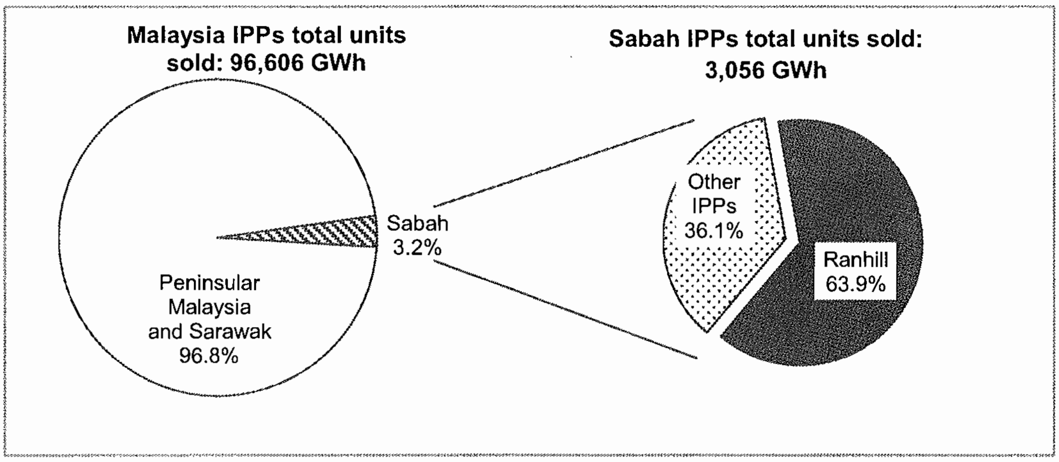
wastewater, which contains industrial waste, sewage and solid waste have increased in the surface water source. In 2012, rivers in Thailand were found to have high level of acidity content. The National Water Policy and Vision by the Thailand government, aims to provide sufficient water of good quality for all users. The National Water Policy and Vision is mainly to accelerate the implementation of Draft Water Act, set as a framework for national water management to review existing laws and regulation. By 2025, the Thai government aims to create water management organisation at national level and focus on proper water allocation for all sectors. The Government has previously recently announced a budget allocation of THB7.2 trillion (RM 765.4 billion) for water resource treatment expenditure in 2014. To expedite the plan, the Government is also actively seeking foreign participation and investment into the country.

6 PROSPECTS AND OUTLOOK FOR RANHILL

Prospects in Malaysia

- Electricity consumption in Malaysia is forecasted to increase at a CAGR of 8.9%, from an estimated 139,789 GWh in 2015 to 196,910 GWh in 2019. The industrial segment is expected to remain as the main consumer of electricity, followed by commercial and residential segments. This presents favourable growth opportunities for experienced IPPs such as Ranhill. In Sabah, the electricity consumption increased from 5,571 GWh in 2015 to 6,971 GWh in 2019 at a CAGR of 6.0%, which is higher than the CAGR for Peninsular Malaysia at 3.5% during the same period. By virtue of the location of its power generation facilities, Ranhill Powertron Sdn Bhd and Ranhill Powertron II Sdn Bhd, Ranhill is in an advantageous position to capture the growing electricity market there. Ranhill is a major power producer in Sabah with a growing market share. In 2013, Ranhill supplied 63.9% of the electricity to the Sabah electricity supply market.

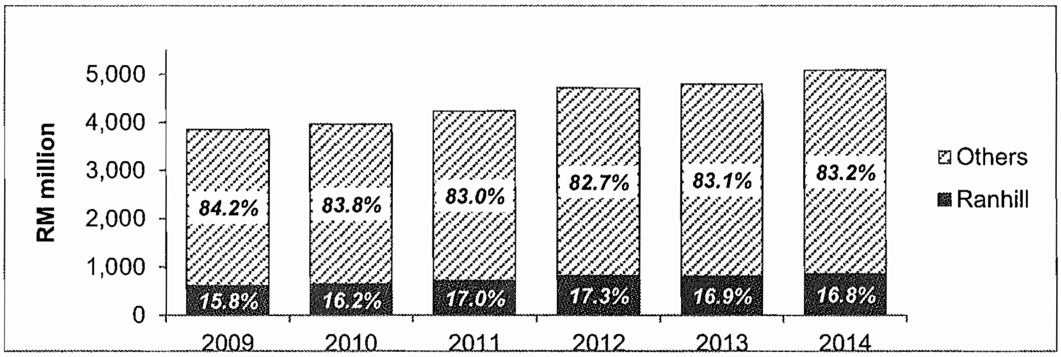
Chart 6:1: Ranhill's Market Share in Power Generation in Sabah (total units sold in GWh), 2013



Source: Ranhill, Energy Commission and Frost & Sullivan

- The National Water Resources Study (2000-2050) forecast the water consumption in Malaysia to reach 16,548 MLD in 2015 and to further increase to 18,549 MLD in 2020. In addition, an allocation of RM1.1 billion was announced for the deployment of programmes to improve service efficiency and water quality, such as NRW mitigation and the integration of water and sewerage services. Water demand in Johor is expected to be driven by the development in Iskandar Malaysia and RAPID-PIPC. As of June 2015, the cumulative committed investment in Iskandar Malaysia was RM172.5 billion, an increase of 312.7% from RM41.8 billion in 2008. Meanwhile, the Government's motivation to improve the water tariffs sits favourably with SAJH, to enable better management of its water resources and realise the full cost recovery of its water supply services. SAJH's revenue share in the water supply services industry increased from 15.8% in 2009 to 16.8% in 2014. Meanwhile, a progress in the mitigation of NRW was also observed. At the end of 2014, SAJH's NRW rate was 25.9%, a marked improvement from 31.2% in 2007.

Chart 6:2: Ranhill's Market Share in the Water Supply Services Industry in Malaysia, 2009-2014



Note: Others revenue share in the above chart was calculated from the total Malaysia revenue published by MWA, and adjusted to accommodate the audited revenue as supplied by SAJH.

Source: SAJH, MWA and Frost & Sullivan

Regional Prospects

- In an emerging economy, as a catalyst to economic growth, the Government's motivation is to focus on infrastructure development and ensure the population has access to basic amenities such as electricity and water. In the Asian region, China and Thailand have a growing need for the water sector development.

China:

- China's treated water demand projected to reach 2,280,274 MLD by 2050[88], the 12th FYP also outlined new wastewater treatment capacity addition of 45,700 MLD while 26,100 MLD of existing capacity will be upgraded to meet more stringent water quality standards by 2015.
- Under the 12th FYP, the amount of investment for the water management industry has escalated significantly to RMB5.0 trillion (RM2.8 trillion) between 2011 and 2015, a significant increase from RMB1 trillion (RM0.6 trillion) in the 11th FYP.
- According to the World Bank, more than half of China's major rivers are deemed unsuitable for human contact. It is reported that 20.7% of the municipal wastewater discharged into waterways did not meet the stipulated standards, polluting the already scare water resources.
- As proposed by the National Development and Reform Commission, implementation of the tiered water tariff in all Chinese cities by end of 2015 will significantly improve the financial outlook of China's water supply and wastewater treatment sector.
- With the utilisation of wastewater treatment capacity already surpassing 89.3% by 2013, augmentation of wastewater treatment capacity is vital to meet the sanitation needs of growing population especially in urban areas.

[88] Source: Chinese Academy of Sciences

- The 12th FYP outlined new wastewater treatment capacity addition of 45,700 MLD while 26,100 MLD of existing capacity will be upgraded to meet more stringent water quality standards by 2015.

Thailand:

- By 2025, the Thai government aims to create water management organisation at national level and focus on proper water allocation for all sectors. The Government has previously recently announced a budget allocation of THB7.2 trillion (RM 765.4 billion) for water resource treatment expenditure in 2014.

The Governments of these countries are committed to the improvement of their water sector and are adopting the PPP model to fast-track development. Foreign companies, such as Ranhill, with extensive experience in the potable, wastewater and reusable water treatment sectors are positively poised to participate to provide the capital and technology required.

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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 2015.

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) to be satisfied that there are programmes in place to provide for orderly succession of senior management of our Company, 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 three (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 three (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 two (2) but not more than fifteen (15). The majority of our Board must also at all times be Independent Directors. As at the date of this Prospectus, our Board consists of nine (9) Directors of which five (5) are Independent Directors.

Our Board comprises an appropriate balance of Directors with diverse mix of skills, knowledge and experience required for the effective stewardship of our Group and independence in decision-making. Whilst our Board presently does not have a formal policy on gender composition of its members, we take cognisance of the recommendation by MCCG 2012 to have a mix of gender in our Board. A Nominating and Remuneration Committee has been established and tasked to ensure diversity among our Board members regardless of age, race or religion and gender, and at the same time ensuring they possess the requisite skills, knowledge, experience, independence, foresight and sound judgment for the effective management. Our Company strives to identify and appoint female director(s) in our upcoming AGM bringing a mix of gender to our Board and at the same time with the requisite skills, knowledge and experience to best serve our Group and its business and operations as a whole.

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

Name	Age	Date of appointment to our Board	Designation	Nationality	No. of years/ months in office as at the date of this Prospectus
Tan Sri Azman	51	1 September 2014	Chairman/Non-Independent Non-Executive Director	Malaysian	One (1) year and four (4) months
Tan Sri Hamdan	59	1 December 2015	Executive Director	Malaysian	One (1) month
Dato Sri Lim Haw Kuang	61	1 September 2014	Executive Director	Malaysian	One (1) year and four (4) months
Datuk Seri Saw Choo Boon	69	1 September 2014	Senior Independent Non-Executive Director	Malaysian	One (1) year and four (4) months
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani	55	1 December 2015	Independent Non-Executive Director	Malaysian	One (1) month
Abu Talib Bin Abdul Rahman	61	1 December 2015	Independent Non-Executive Director	Malaysian	One (1) month
Dato' Zulkifli Bin Ibrahim	61	1 December 2015	Independent Non-Executive Director	Malaysian	One (1) month
Ritzlan Halim	44	1 December 2015	Non-Independent Non-Executive Director	Malaysian	One (1) month
Lim Hun Soon @ David Lim	61	1 December 2015	Independent Non-Executive Director	Malaysian	One (1) month

Our Directors shall retire from office at the next AGM of our Company in 2016.

Save for (i) Tan Sri Hamdan who represents Hamdan Inc., LOSB and RCorp, (ii) Tan Sri Azman who represents Virtuoso Capital Sdn Bhd and (iii) Ritzlan Halim, who represents Cheval, none of our Directors represent any corporate shareholder.

9.1.1 Profiles of our Directors

TAN SRI AZMAN, aged 51, was appointed to our Board as the Non-Independent Non-Executive Chairman on 1 September 2014.

He graduated from London School of Economics in 1985 with a first class honours degree in Economics and is a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants and a Fellow of the Malaysian Institute of Banks.

He started his career in 1985 as an auditor in KPMG London. He then served as the Assistant General Manager (Finance) of Island & Penisular Group from 1989 to 1990. In 1990, he joined Bumiputera Merchant Bankers Berhad and subsequently became the General Manager heading the Corporate Finance Department. From 1994 to 1998, he was made the Executive Director of Amanah Merchant Bank Bhd. During the Asian financial crisis in 1998, he was appointed by the Malaysian Government to set-up and head Danaharta, the national asset management company and subsequently became its Chairman until 2003. He is currently the Executive Chairman of Symphony and Symphony Life Berhad.

Outside his professional engagements, he is active in public service and sits on the boards of Khazanah Nasional Berhad and Ekuiti Nasional Berhad (EKUINAS), the investment arm and the private equity arm of the Malaysian Government respectively. He also serves as a Director of PLUS Expressways International Berhad. He is a Director of Sepang International Circuit Sdn Bhd and the Chairman of Motorsports Association of Malaysia.

He also sits on the Board of Scomi Group Berhad and AIA Group Limited, Hong Kong.

TAN SRI HAMDAN, aged 59, was appointed to our Board as Executive Director and the President and Chief Executive of our Group on 1 December 2015.

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

He started his career as a Structural Engineer at the engineering consulting firm of 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.

On 2 January 2013, he was appointed Executive Director and on 14 June 2013, he was appointed as Group President and Chief Executive of RERB, a position he held before his appointment as our Executive Director.

DATO SRI LIM HAW KUANG, 61, was appointed to our Board as Executive Director on 1 September 2014.

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

He was formerly the Executive Chairman of Shell Companies in China from 1 September 2005 to 1 March 2013. He joined Shell in Malaysia in 1978 and has served in various capacities in IT, Finance, Natural Gas, Exploration and Production, Oil Products and Corporate Head Offices in different Shell operations globally until 2013. His previous assignments include Vice President Corporate Strategy and Planning for Shell International in London, President Oil Products for Asia Pacific and Middle East in Singapore, Chairman of Shell Malaysia and Managing Director of Shell Malaysia Exploration and Production in Kuala Lumpur, Senior Corporate Adviser, Asia Pacific for Shell International in London, and Business Development Manager for Former Soviet Union and Sakhalin for Shell International Gas in London.

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

He is currently an Independent Board Director of BG Group, an international oil and gas company based in the United Kingdom, and ENN Energy Holdings Limited, a Chinese city gas company listed in Hong Kong. He is also an Independent Board Director of Sime Darby Berhad. He has been appointed to the Board of the Central Bank of Malaysia (Bank Negara Malaysia) as an independent Board Director with effect from 1 March 2015.

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

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

Currently, he is an Independent Director of three other listed companies namely DiGi.Com Berhad, RHB Capital Berhad and Guinness Anchor Berhad. He is also an Independent Director of RHB Investment Bank Berhad.

In addition, he is the co-chair of the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), President of the Federation of Malaysian

Manufacturers Council and a director on the Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

DATUK DR. NIK NORZRUL THANI BIN NIK HASSAN THANI, aged 55, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

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

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

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

He sits on the Board of Manulife Holdings Berhad, Fraser & Neave Holdings Berhad, UMW Holdings Berhad and Tanjung Offshore Berhad.

ABU TALIB BIN ABDUL RAHMAN, aged 61, was appointed to our Board as Independent Non-Executive Director on 1 December 2015.

He holds a Bachelor of Law (Honours) degree from University of London since 1979 and obtained the Certificate of Legal Practice in 1984 from Lembaga Kelayakan Malaysia. In 1986 he was called to the Malaysian Bar. He has since been a member of the Malaysian Bar where he currently sits as a member of the Disciplinary Board and a Notary Public.

Prior to his commencement of his legal practice in 1986, he started his career as a banker with Bank Pertanian Malaysia. He then moved to work in Asiavest Merchant Bankers Berhad before getting further experiences with Bank Bumiputera Malaysia Berhad in 1981 up to 1985. During his tenure at Bank Bumiputera Malaysia Berhad, he was also entrusted to supervise the construction of building and Putra World Trade Centre until completion from 1981 to 1984.

From 1986 to 1991, he worked as partner of two other legal firms before establishing Messrs Abu Talib Shahrom (formerly known as Messrs Abu Talib & Zahari). Being a founding partner of Messrs Abu Talib Shahrom, his area of legal expertise encompasses area in corporate, secretarial, corporate finance, banking, contracts and construction and private finance initiative. Currently he is the named Company Secretary for a few Malaysia companies including Keretapi Tanah Melayu and its group of companies.

He also sits as directors of a number of private companies in Malaysia namely South Klang Valley Expressway and Markmore Sdn Bhd and its group of companies.

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

He obtained a Bachelor of Science (Honours) degree in Electrical and Electronics Engineering from Leeds University, United Kingdom in 1979. He is a registered

Professional Engineer with the Board of Engineers, Malaysia and a Member of the Institution of Engineers, Malaysia.

He began his career with the National Electricity Board (now known as Tenaga Nasional Berhad ("**TNB**")) in 1979 as an Electrical Engineer and later established himself in the Control and Instrumentation field. He was in the power plant division of TNB for 14 years before leaving TNB as an Engineering Services Manager in 1993. During his tenure with TNB, he was a member of TNB's task force, reviewing the Malaysian Grid Code. He has over 8 years of experience in power plant construction and commissioning works and was involved in the design of six large power plant projects throughout Malaysia. He also did an attachment with Parsons (a steam turbine manufacturer) in Newcastle, United Kingdom for 7 months under the Confederation of British Industry Scholarships in 1991.

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

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

RITZLAN HALIM, aged 44, was appointed to our Board as Non-Independent Non-Executive Director on 1 December 2015.

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

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

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

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

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

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

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

9.1.2 Shareholdings of our Directors

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

	Before our Offering				**After our Offering**[1]			
	Direct		**Indirect**		**Direct**		**Indirect**	
Director	**No. of Shares**	[2]**%**	**No. of Shares**	[2]**%**	**No. of Shares**	[3]**%**	**No. of Shares**	[3]**%**
Tan Sri Azman	1,100,000	0.2	23,455,381	[4]4.1	2,350,000	0.2	46,910,762	[4]5.0
Tan Sri Hamdan	-	-	297,610,098	[5]52.6	[6]-	*	[6]297,760,098	[5]31.6
Dato Sri Lim Haw Kuang	-	-	-	-	150,000	*	-	-
Datuk Seri Saw Choo Boon	-	-	-	-	150,000	*	-	-

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

	Before our Offering				After our Offering[1]			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
Datuk Dr. Nik Norzrul Thani Bin N Hassan Thani	-	-	-	-	150,000	*	-	-
Abu Talib Bin Abdul Rahman	-	-	-	-	150,000	*	-	-
Dato' Zulkifli Bin Ibrahim	-	-	-	-	150,000	*	-	-
Ritzlan Halim	-	-	-	-	150,000	*	-	-
Lim Hun Soon @ David Lim	-	-	-	-	150,000	*	-	-

Notes:

* *Negligible*

(1) *Assuming full subscription for the Issue Shares allocated to our respective Directors as Eligible Individuals under the Retail Offering (in the case of Tan Sri Azman, including the Issue Shares allocated to him as shareholder of Symphony pursuant to the Restricted Offering), but excludes any other Offering Shares that they may subscribe under the Offering.*

(2) *Based on our issued and paid-up share capital of 565,994,967 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of up to 940,994,967 Shares post the Public Issue.*

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

(5) *Deemed interested by virtue of (i) his interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act and (ii) him being the sole beneficiary of the Hamdan Foundation which owns the entire equity stake in Hamdan Inc.. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) below for further details on the foundation arrangement.*

(6) *Tan Sri Hamdan will nominate Hamdan Inc. to subscribe on his behalf any of the Issue Shares which he may so wish to subscribe under the Retail Offering.*

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 during the five (5) years preceding the LPD. The involvement of our Directors in business activities outside our Group (i) as a director in the past five (5) years preceding and up to the LPD, and (ii) other than as a director as at the LPD, are as follows:

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
Tan Sri Azman	*Present directorships:*		Member of Capital Market Advisory Group of SC Symphony Life Berhad • Shareholder Symphony • Shareholder Scomi Group Berhad • Indirect shareholder Alpine Land Sdn Bhd • Indirect shareholder Alpine Real Estate Sdn Bhd • Indirect shareholder Vital Capacity Sdn Bhd • Indirect shareholder Langkawi Fair Sdn Bhd • Indirect shareholder Pink Corner Sdn Bhd • Shareholder Dexview Sdn Bhd • Shareholder Brilliant Armada Sdn Bhd • Indirect shareholder Alpine Return Sdn Bhd • Indirect shareholder Virtuoso Capital Sdn Bhd • Shareholder
	• Symphony Life Berhad (formerly known as Bolton Berhad)	Property development, property investment and investment holding	
	• Symphony	Investment holding	
	• Scomi Group Berhad	Investment holding	
	• Khazanah Nasional Berhad	Investment arm of the Malaysian Government	
	• Ekuiti Nasional Berhad (EKUINAS)	Private equity arm of the Malaysian Government	
	• PLUS Expressway International Berhad (formerly known as PLUS Expressways Berhad)	Investment holding and provision of expressway operation services	
	• Alpine Land Sdn Bhd	Property development	
	• Alpine Real Estate Sdn Bhd	Property development	
	• Vital Capacity Sdn Bhd	Property development	
	• Langkawi Fair Sdn Bhd	Rental of property	
	• Pink Corner Sdn Bhd	Property development	
	• Dexview Sdn Bhd	Property development	
	• Brilliant Armada Sdn Bhd	Property development	
	• Sepang International Circuit Sdn Bhd	Motorsports	
	• Azman & Sons Sdn Bhd	Investment holding	
	• Alpine Return Sdn Bhd	Property development	
	• Virtuoso Capital Sdn Bhd	Investment holding	
	• Arena Kembara Sdn Bhd	Dormant	
	• Gajahrimau Capital Sdn Bhd	Investment holding	
	• Ringgitcom Sdn Bhd	Rental of property	
	• Marvel Edge Sdn Bhd	Property and investment holding	
	• Rantau Ilusi Sdn Bhd	General trading	
	• Stone Equity	Investment holding	

Director	***Directorships***	**Principal activities**	**Involvement in business activities other than as a director**
Tan Sri Azman *(cont'd)*	• Tijani (Bukit Tunku) Sdn Bhd	Property development	Arena Kembara Sdn Bhd • Shareholder
	• Motorsports Association of Malaysia	Motorsports	
	• Yayasan Amal Bukit Bintang	Non-profit organisation	Gajahrimau Capital Sdn Bhd • Shareholder
	• AIA Group Limited, Hong Kong	Life insurance company	
	• M+S Pte Ltd, Singapore	Property development	Rautau Ilusi Sdn Bhd • Shareholder
	• Marina South Investments Pte Ltd, Singapore	Property development	Stone Equity • Shareholder
	• Ophir - Rochor Investments Pte Ltd, Singapore	Property development	Tijani (Bukit Tunku) Sdn Bhd • Indirect shareholder
	Previous directorships: • Airasia Berhad *(resigned on 30 April 2012)*	Providing air transportation services	
	• Pharmaniaga Berhad *(resigned on 27 April 2011)*	Pharmaceutical manufacturing	
	• Malaysian Airline System Berhad *(resigned on 14 May 2013)*	Air transportation and provision of related services	
	• Angsana Tiara Sdn Bhd *(resigned on 28 August 2013)*	Investment holding	
	• Fitri Certia Sdn Bhd *(resigned on 22 February 2011)*	Investment holding	
	• Continental Estates Sdn Bhd *(resigned on 29 August 2014)*	Property development and operation of oil palm estate	
	• Sovereign Symphony Sdn Bhd *(struck off on 18 March 2014)*	Investment holding	
	• Prelude Profile Sdn Bhd *(struck off on 19 March 2014)*	Investment holding	
	• Motorsports Commission of Malaysia *(struck off on 14 November 2012)*	Motorsports	
Tan Sri Hamdan	*Present directorships:* • Amona Ranhill Consortium Sdn Bhd	Provision of engineering, procurement and construction services in Libya	RB • Shareholder RERB • Indirect shareholder
	• Bhola Power Company Limited	Has not commenced business	P.T. Ranhill Energy Indonesia • Indirect shareholder
	• Copenhagen Design Center Sdn Bhd	Dormant	

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**
Tan Sri Hamdan *(cont'd)*	• Golden Active Sdn Bhd	Dormant	Golden Active Sdn Bhd • Indirect shareholder
	• LOSB	Investment holding	
	• LOSB (Cayman)	Investment holding	Amona Ranhill Consortium Sdn Bhd • Indirect shareholder
	• Oceania Investments Limited	Investment holding	
	• P.T. Ranhill Energy Indonesia	Has not commenced business	REPC Services Sdn Bhd • Indirect shareholder
	• Pacific Energy Overseas Ltd	Investment holding	
	• Perunding Ranhill Worley Sdn Bhd	Engineering and design of oil and gas facilities	Ranhill Pakistan (Private) Limited • Indirect shareholder
	• Rancak Bistari Sdn Bhd	Investment holding and provision of management services	RCivil Sdn Bhd • Indirect shareholder
	• Ranhill Bhola Holdings Sdn Bhd	Has not commenced business	Ranhill Antara Koh Sdn Bhd • Indirect shareholder
	• Ranhill Bhola Power Sdn Bhd	Has not commenced business	Mediglobal Malaysia Sdn Bhd • Indirect shareholder
	• Ranhill Capital (Mauritius) Limited	Investment holding	
	• Ranhill E&C Sdn Bhd	Carry on the business of EPC	Ranhill Global Systems Sdn Bhd • Indirect shareholder
	• Ranhill Foundation	Dormant	ABNT Global Sdn Bhd (formerly known as Mubarak Ranhill Technology Sdn Bhd) • Indirect shareholder
	• Ranhill International Inc	Provision of engineering and construction services overseas and investment holding	
	• Ranhill Pakistan (Private) Limited	Dormant	Ranhill Sri Gading Sdn Bhd • Indirect shareholder
	• RCorp	Provision of engineering and construction services	Ranhill International Inc. • Indirect shareholder
	• SDEB	Construction, operation and maintenance of highways	Ranhill E&C Sdn Bhd • Indirect shareholder

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**
Tan Sri Hamdan *(cont'd)*	• 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	Ranhill Bhola Holdings Sdn Bhd • Indirect shareholder Ranhill Bhola Power Sdn Bhd • Indirect shareholder
	• Nusantara Cement Sdn Bhd	Property holding	Bhola Power Company Limited • Indirect shareholder
	• RERB	Investment holding	
	• RanhillWP Sdn Bhd	Investment holding	RBSB • Indirect shareholder
	• RGSB	Investment holding and provision of management services to the subsidiaries	Ranhill Bersekutu Saudi Limited • Indirect shareholder
	• RUSB	Investment holding and provision of management and consultancy and technical support services to its subsidiaries and consultancy services	LOSB • Indirect shareholder LOSB Cayman Ltd • Indirect shareholder
	• RWorley	Provision of engineering, procurement and construction management (EPCM), supervision and ancillary services to its clients	Nusantara Cement Sdn Bhd • Shareholder Perunding Ranhill Worley Sdn Bhd • Shareholder
	• Ranhill Energy Sdn Bhd	Undertake energy and energy related works and services	Rancak Bistari Sdn Bhd • Shareholder
	• Hamdan Inc.	Investment holding	SDEB • Indirect shareholder
	• Swissfield Acres Sdn Bhd	Investment	SDE Land Sdn Bhd • Indirect shareholder RCorp • Indirect shareholder

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**
Tan Sri Hamdan *(cont'd)*	*Previous directorships*: • RCivil Sdn Bhd *(resigned on 3 March 2012)*	Provision of project management consultancy and EPC services	Konsortium Ranhill Sdn Bhd • Indirect shareholder
	• REPC Services Sdn Bhd *(resigned on 24 April 2012)*	Provision of EPC services	Pacific Energy Overseas Ltd • Indirect shareholder
	• Unit (Malaysia) Holdings Sdn Bhd *(struck off on 17 July 2012 as gazetted)*	Dormant	RanhillWP Sdn Bhd • Indirect shareholder
	• West Java Energy Pte Ltd *(struck off on 6 November 2012 as gazetted)*	Petroleum, mining and prospecting services including offshore exploration services	RGSB • Indirect shareholder RUSB • Indirect shareholder
	• Bumi Parahyangan Ranhill Energia Citarum Pte Ltd *(resigned on 24 March 2011)*	Investment holding and general wholesale trade including general imports and exports	RWorley • Indirect shareholder
	• Dheeru Powergen Limited *(resigned on 24 April 2012)*	Generation and sale of electricity	Swissfield Acres Sdn Bhd • Shareholder
	• 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 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 (L) Limited *(struck off on 30 December 2013)*	To act as a special purpose vehicle for the issuance of any type of securities as permitted under the Offshore Companies Act, 1990	
	• Ranhill Antara Koh Sdn Bhd *(resigned on 26 May 2014)*	Identify, secure and undertake land and marine piling works, marine structures and related civil engineering works	

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**
Tan Sri Hamdan *(cont'd)*	• RBSB *(resigned on 15 July 2015)*	Provision of EPCM and project management consultancy services	
	• Ranhill Consulting Sdn Bhd *(resigned on 13 October 2015)*	Provision of engineering consultancy services	
	• RB *(resigned on 9 December 2015)*	Investment holding, provision of management services to its subsidiaries and provision of EPC services	
Dato' Sri Lim Haw Kuang	*Present directorships*		
	• BG Group	Carry on energy business focused on exploration and production and LNG	
	• ENN Energy Holdings Limited • ENN Group	Undertake gas penetration projects, carry on vehicle gas refueling station business	
	• Sime Darby Berhad	Investment holding company	
	• Sime Darby Energy Sdn Bhd	Investment holding and provision of operating and maintenance services to an independent power producer	
	• Sime Darby Utilities Sdn Bhd	Investment holding	
	• RWorley	Provision of engineering, procurement, project and construction management, supervision and ancillary services to its clients	
	• Central Bank of Malaysia (Bank Negara Malaysia)	The central bank of Malaysia - to promote monetary stability and financial stability conducive to the sustainable growth of Malaysian economy	
	Previous directorships:		
	• Sona Petroleum Berhad *(resigned on 12 February 2013)*	Investment holding	

Director	*Directorships*	Principal activities	Involvement in business activities other than as a director
Dato Sri Lim Haw Kuang *(cont'd)*	• Shell (China) Limited (PRC) *(resigned on 1 January 2013)*	Engages in exploration and production of oil and gas, transmission and marketing of power and gas, marketing of oil products and chemicals and renewable energy business and also provides energy consultancy services	
	• RERB *(resigned on 1 July 2015)*	Investment holding	
	• Shell (China) Projects & Technology Limited (PRC) *(resigned on 1 January 2013)*	Provides top quartile project delivery and engineering and technology solution to customers as well as to Shell's upstream and downstream business in China	
	• Shell China Holdings B.V. (NL) *(resigned on 1 January 2013)*	Operates in the energy sector and manages natural gas pipeline systems	
	• Shell China Exploration and Production Company Limited (UK) *(resigned on 1 January 2013)*	Provides oil and natural gas exploration and production services	
	• Shell China Holdings Limited (UK) *(resigned on 17 November 2011)*	Investment holding	
Datuk Seri Saw Choo Boon	*Present directorships:*		Sona Petroleum Berhad • Vice President PT RHB OSK Securities Indonesia • President Commissioner Federation of Malaysian Manufacturers • President Phoenix Petroleum Bhd • Shareholder Goldhill Power Sdn Bhd • Shareholder
	• RHB Capital Bhd	Investment holding	
	• DiGi.Com Bhd	Investment holding	
	• Guinness Anchor Bhd	Production, packaging, marketing and distribution of beverages, primarily alcoholic	
	• RHB Investment Bank Berhad	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbrocking business and the business of brokers and dealers in futures and options contracts	
	• Phoenix Petroleum Bhd	Dormant	

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**
Datuk Seri Saw Choo Boon *(cont'd)*	• Intergrated Petroleum Bhd	Dormant	Platinum Autumn Sdn Bhd • Shareholder Java Offshore Sdn Bhd • Shareholder Global Jejaka Sdn Bhd • Indirect shareholder Jendela Elit Sdn Bhd • Shareholder Morningale Sdn Bhd • Indirect shareholder
	• Goldhill Power Sdn Bhd	Dormant	
	• SERC Sdn Bhd	Main activities are, among others, safeguarding business interest and sharing business experiences and business interests, contact with governments, civil society, local media and the press and organising trade shows and events	
	• Platinum Autumn Sdn Bhd	Investment holding	
	• Java Offshore Sdn Bhd	Oil and gas offshore contracting	
	• Nusa Gapurna Development Sdn Bhd	Investment holding	
	• My Views Sdn Bhd	Dormant	
	• Projekmaju Sdn Bhd	Property development	
	• Success Pact Development Sdn Bhd	Dormant	
	• Such Success Sdn Bhd	Dormant	
	• Nilaitera Sdn Bhd	Property development	
	• Usahatanah Jaya Sdn Bhd	Dormant	
	• Intergrated Petroleum Services Sdn Bhd	Providing support services to oil and gas industry	
	• Global Jejaka Sdn Bhd	- Wholesale of variety of goods without any particular specialisation - Buying, selling, renting and operating of self-owned or leased real estate - Construction of buildings	
	• Jendela Elit Sdn Bhd	Investment holding	
	• Morningale Sdn Bhd	Investment holding	
	• RHB Private Equity Fund Ltd	Investment holding	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Seri Saw Choo Boon *(cont'd)*	• Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH)	A high-powered task force to address bureaucracy in business-government dealings which was first introduced in the Prime Minister's annual speech to the Civil Service	
	Previous directorships: • Sona Petroleum Berhad *(resigned on 29 January 2013)*	Investment holding	
	• Puncak Wangi Sdn Bhd *(resigned on 28 May 2014)*	Construction and development of properties	
	• Gapurna Builders Sdn Bhd *(resigned on 28 May 2014)*	Acquiring and dealing in land and property	
	• PJ Sentral Development Sdn Bhd *(resigned on 24 June 2014)*	Dealing in land, properties and other development related activities	
	• Gapurna Land Sdn Bhd *(resigned on 28 May 2014)*	Construction and development of properties	
	• RERB *(resigned on 1 July 2015)*	Investment holding	
	• Shell Refining Company (Federation of Malaysia) Berhad *(resigned on 1 December 2015)*	Refining and manufacturing of petroleum products	
	• I Precision Sdn Bhd *(resigned on 29 June 2015)*	Precision engineering in the manufacturing and engineering of high technology products	
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani	*Present directorships*: • PNB Investment Insitute Sdn Bhd	Provision of education and training courses in investment and finance	Myfuture Foundation • Trustee
	• Fraser & Neave Holdings Bhd	Investment holding	ZICOlaw Partners Sdn Bhd • Shareholder
	• Al Rajhi Banking & Corporation	Islamic banking and finance	
	• UMW Holdings Berhad	Investment holding	Yayasan Isnna Dan Ilmu • Trustee
	• MSIG Insurance (Malaysia) Bhd	Underwriting of all classes of general insurance business	Yayasan Orang Kurang Upaya Kelantan • Trustee
	• Manulife Holdings Bhd	Investment holding	
	• Manulife Insurance Bhd	Life insurance	
	• ZICOlaw Partners Sdn Bhd	Management and consultancy services	Rentas Mesra Sdn Bhd • Shareholder

Director	***Directorships***	**Principal activities**	**Involvement in business activities other than as a director**
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani *(cont'd)*	• Yayasan Insan Dan Ilmu (Trustee)	Fund raising and providing financial assistance to general public to improve and upgrade their well-being and knowledge	ZICO Shariah Advisory Services Sdn Bhd • Shareholder
	• Yayasan Orang Kurang Upaya Kelantan (Trustee)	To raise donation, funds to improve the socio-economic well-being and quality of life for people with physical disabilities	Tanjung HMS Petroleum Sdn Bhd • Shareholder
	• Rentas Mesra Sdn Bhd	Management services and general trading	
	• ZICO Shariah Advisory Services Sdn Bhd (formerly known as ZICOlaw Shariah Advisory Services Sdn Bhd)	Providing legal advice on Islamic Shariah law and conducting of seminars	
	• Asian Institute of Finance Berhad	Uplift the affiliated institutions' (Institut Bank-Bank Malaysia, Islamic Banking and Finance Institute of Malaysia, Malaysian Institute of Insurance and Securities Industries Development Corporation) capacity to strive towards global excellence in delivering professional and advanced level programmes aimed at enhancing human capital development of the financial services.	
	• Pelaburan Mara Berhad	Investment company	
	• UMW M&E Sdn Bhd	Investment holdings	
	• BNM Kijang Bhd	Special purposed vehicle for the issuances of Islamic Securities in accordance with Shariah principles under the Auspices of Bank Negara Malaysia	
	• Tanjung HMS Petroleum Sdn Bhd	Oil and gas	
	• Perusahaan Otomobil Kedua Sdn Bhd	Automotive	
	• Perodua Manufacturing Sdn Bhd	Manufacturing vehicles	
	• Perodua Engine Manufacturing Sdn Bhd	Assembly and manufacturing of vehicle engines	

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**
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani *(cont'd)*	• Perodua Sales Sdn Bhd	Sales, marketing and distribution	
	Previous directorships: • Konsortium Logistik Bhd (*resigned on 1 July 2014*)	Provision of total logistics services and inventory solutions	
	• Lubetech Sdn Bhd (*resigned on 1 March 2013*)	Blending and packaging of lubricants	
	• UMW Pennzoil Distributors Sdn Bhd (*resigned on 1 March 2013*)	Marketing, selling and distribution of "Pennzoil" branded lubricants	
	• UMW Lubricant International Sdn Bhd (*resigned on 1 March 2013*)	Manufacturing and distribution of Repsol blended lubricants	
	• UMW Advantech Sdn Bhd (*resigned on 1 March 2013*)	Manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial application	
	• Blue Ocean Legacy Sdn Bhd (*resigned on 18 June 2012*)	Investment holding	
	• Greenpower Quest Sdn Bhd (*resigned on 13 July 2013*)	General trading and investment holding	
	• Mygo Solutions Sdn Bhd (*resigned on 1 March 2011*)	Information technology	
	• Millenium Bio Technology Sdn Bhd (*resigned on 3 January 2014*)	Dormant	
	• ZICO Corporate Services Sdn Bhd (formerly known as ZICOlaw Corporate Services Sdn Bhd) (*resigned on 22 July 2014*)	Corporate secretarial and related consultancy services	
	• ZICO Malaysia Sdn Bhd (formerly known as ZICOlaw Corporate Services Sdn Bhd) (*resigned on 22 July 2014*)	Investment holding	
	• ZICO Consultancy Sdn Bhd (formerly known as ZICOlaw Consultancy Sdn Bhd) (*resigned on 22 July 2014*)	Business support 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**
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani *(cont'd)*	• ZICO Secretarial Services Sdn Bhd (formerly known as ZICOlaw Secretarial Services Sdn Bhd) (*resigned on 22 July 2014*)	Corporate secretarial and related consultancy services	
	• ZICO Competelaw Sdn Bhd (*resigned on 28 September 2012*)	Dormant	
	• Takrif Aspirasi Sdn Bhd (*resigned on 1 June 2012*)	Investment holding company	
	• Pengangkutan Hartasuci Sdn Bhd (*struck off on 18 October 2012*)	Has not commenced business	
	• Intelligent Aspect Sdn Bhd (*struck off on 13 February 2012*)	General trading, builders and contractors of construction works investment	
	• V-Star Technology (Malaysia) Sdn Bhd (*struck off on 9 February 2012*)	Providing total solution and electronics solutions	
	• Melor's Apparel Sdn Bhd (*struck off on 6 May 2014*)	General traders, seminars training and classes and provide advisory management services	
	• Triple Extreme Sdn Bhd (*in the process of striking off*)	Dormant	
	• KIG Glass Industrial Bhd (*in liquidation)*	Manufacture and sale of glassware, glassblocks and carton boxes	
	• ZICO Labuan Trust Company Sdn Bhd (*wound-up on 1 March 2013)*	Provision of trust and secretarial services	
	• MAAKL Mutual Bhd *(resigned on 15 December 2014)*	Management of unit trust funds	
	• HMS Well Experts Sdn Bhd *(resigned on 10 October 2015)*	Oil and gas	
	• Solaris Stream Sdn Bhd *(resigned on 1 September 2015)*	Wholesale	
	• HMS Energy Sdn Bhd *(resigned on 26 June 2015)*	Oil and gas	

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**
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani *(cont'd)*	• HMS Legend Sdn Bhd *(resigned on 22 June 2015)*	Oil and gas	
	• HMS Oil & Gas Sdn Bhd *(resigned on 22 May 2015)*	Oil and gas	
	• Otomobil Sejahtera Sdn Bhd *(resigned on 26 November 2014)*	Importing and retailing of passenger and commercial vehicles	
Abu Talib Bin Abdul Rahman	*Present directorships*:		Abu Talib Shahrom • Partner Citra Inovasi Sdn Bhd • Indirect shareholder Afrikul (Malaysia) Sdn Bhd • Indirect shareholder Multi Strategies Sdn Bhd • Indirect shareholder Aras Jalinan Sdn Bhd • Indirect shareholder Valentel Sdn Bhd • Indirect shareholder Yayasan Saad • Indirect shareholer Titan Field Sdn Bhd • Indirect shareholder Beta Hitech Sdn Bhd • Shareholder Anjung Kelana Sdn Bhd • Indirect shareholder SKVE Holdings Sdn Bhd • Indirect shareholder Laman Hebat Sdn Bhd • Indirect shareholder Capital Proponents Sdn Bhd • Indiect shareholder M.C. Ventures Sdn Bhd
	• Citra Inovasi Sdn Bhd	Investment	
	• Afrikul (Malaysia) Sdn Bhd	Investment	
	• Multi Strategies Sdn Bhd	Holding company	
	• Aras Jalinan Sdn Bhd	Holding company	
	• Valentel Sdn Bhd	Holding company	
	• Yayasan Saad	Trust company	
	• Titan Field Sdn Bhd	Holding company	
	• Beta Hitech Sdn Bhd	Holding company	
	• Anjung Kelana Sdn Bhd	Investment	
	• SKVE Holdings Sdn Bhd	Toll road	
	• Laman Hebat Sdn Bhd	Holding company	
	• Capital Proponents Sdn Bhd	Investment	
	• M.C Venture Sdn Bhd	Investment	
	• Putaran Mutiara Holdings Sdn Bhd	Construction	
	• Pacific Hall Sdn Bhd	Manufacturing	
	• Trading and Technical Services Sdn Bhd	Trading	
	• Dommintai Telecommunication (M) Sdn Bhd	Plantation	
	• Anspac Trading Sdn Bhd	Manufacturing	
	• Infra-Empire Sdn Bhd	Plantation	
	• Sering Mesra Sdn Bhd	Investment	
	• Khat Ventures Sdn Bhd	Aquaculture	
	• Suasa Teliti (M) Sdn Bhd	Investment	

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**
Abu Talib Bin Abdul Rahman *(cont'd)*	• Pulpwood Manufacturing Enterprise Sdn Bhd	Investment	• Indirect shareholder
	• Agrilead Sdn Bhd	Agriculture	Putaran Mutiara Holdings Sdn Bhd • Indirect shareholder
	• Metro Ikhtisas Sdn Bhd	Investment	Pacific Hall Sdn Bhd • Shareholder
	• Agronential Sdn Bhd	Agriculture	
	• Metro Ikram Sdn Bhd	Investment	Trading and Technical Services Sdn Bhd • Shareholder
	• Tiara Samudra Sdn Bhd	Holding company	
	• Yes Network Sdn Bhd	Investment	
	• Beta-Omega Technologies (Malaysia) Sdn Bhd	Plantation	Dommintai Telecommunication (M) Sdn Bhd • Shareholder
	• Probalance Sdn Bhd	Investment	
	• Norhan Sdn Bhd	Furniture	Anspac Trading Sdn Bhd • Shareholder
	• ATSZ Management Sdn Bhd	Management	
	• Anspac Corporation Sdn Bhd	Manufacturing	Infra-Empire Sdn Bhd • Shareholder
	• Westboard Sdn Bhd	Investment	Sering Mesra Sdn Bhd • Indirect shareholder
	• Greentech Glycol Sdn Bhd	Refinery	
	• Virtual Peaks Resources Sdn Bhd	Holding company	Khat Ventures Sdn Bhd • Shareholder
	• Markmore Sdn Bhd	Holding company	
	• Aneka Aroma Sdn Bhd	Holding company	Suasa Teliti(M) Sdn Bhd • Indirect shareholder
	• Armada Kencana Sdn Bhd	Oil and gas	
	• SDEB	Toll road	Pulpwood Manufacturing Enterprise Sdn Bhd • Indirect shareholder
	• Kemuning Ria Sdn Bhd	Investment	
	• Malaysia International Procurement Company Sdn Bhd	Investment	Agrilead Sdn Bhd • Shareholder
	• Sunrise Hectares Sdn Bhd	Investment	
	• Sendi Cerah Sdn Bhd	Investment	Metro Ikhtisas Sdn Bhd • Indirect shareholder
	• Techtrum Corporation Sdn Bhd	Investment	
	• Benih Untung Sdn Bhd	Investment	Agronential Sdn Bhd • Indirect shareholder
	• South Klang Valley Expressway Sdn Bhd	Toll road	Metro Ikram Sdn Bhd • Indirect shareholder

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**
Abu Talib Bin Abdul Rahman *(cont'd)*	• Specialist Oils & Emulsions Sdn Bhd	Manufacturing	Tiara Samudra Sdn Bhd • Indirect shareholder
	• Sterling Resources Sdn Bhd	Investment	Yes Network Sdn Bhd • Indirect shareholder
	Previous directorships: • Virtual Peak Resources Sdn Bhd (*resigned on 10 March 2011*)	Construction	Beta-omega Technologies (Malaysia) Sdn Bhd • Shareholder
	• The One Mix Sdn Bhd (*resigned on 3 December 2012*)	Production and supply of ready mixed concrete	Probalance Sdn Bhd • Indirect shareholder
	• Timuris Sdn Bhd (*resigned on 8 August 2012*)	Dormant	Norhan Sdn Bhd • Indirect shareholder
	• Perspec Prime (Malaysia) Sdn Bhd (*resigned on 21 June 2011*)	Construction	ATSZ Management Sdn Bhd • Shareholder
	• Baldah Toyyibah (Prasarana) Kelantan Sdn Bhd (*resigned on 24 June 2013*)	Toll Road	Anspac Corporation Sdn Bhd • Indirect shareholder
	• RanhillWP Sdn Bhd (*resigned on 27 August 2012*)	Investment holding	West Board Sdn Bhd • Shareholder
	• Virtual Peaks Group Sdn Bhd (*resigned on 21 June 2011*)	Construction	Greentech Glycol Sdn Bhd • Indirect shareholder
	• Virtual Peaks Power Sdn Bhd (*resigned on 21 June 2011*)	Business of power generation from water, gas, fuel, nuclear energy or otherwise and the distribution and transmission of power to consumers in Malaysia or elsewhere	Virtual Peaks Resources Sdn Bhd • Indirect shareholder Markmore Sdn Bhd • Indirect shareholder
	• KL-Kuala Selangor Expressway Bhd (*resigned on 22 March 2011*)	Toll road	Aneka Aroma Sdn Bhd • Indirect shareholder
			Armada Kencana Sdn Bhd • Indirect shareholder
			SDEB • Indirect shareholder
			Kemuning Ria Sdn Bhd • Indirect shareholder

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**
Abu Talib Bin Abdul Rahman *(cont'd)*			Malaysia International Procurement Company Sdn Bhd • Indirect shareholder Sunrise Hectares Sdn Bhd • Indirect shareholder Sendi Cerah Sdn Bhd • Indirect shareholder Techtrum Corporation Sdn Bhd • Indirect shareholder Benih Untung Sdn Bhd • Indirect shareholder South Klang Valley Expressway Sdn Bhd • Indirect shareholder Specialist Oils & Emulsions Sdn Bhd • Indirect shareholder Sterling Resources Sdn Bhd • Shareholder Timuris Sdn Bhd • Shareholder
Dato' Zulkifli Bin Ibrahim	*Present directorships:*		
	• KIFL Foods and Beverages Sdn Bhd	Food and beverages	KIFL Foods and Beverages Sdn Bhd • Shareholder
	• Jimah Services Sdn Bhd	Ceased operation	Jimah Services Sdn Bhd • Shareholder
	• Asdeq Services Sdn Bhd	Ceased operation	
	Previous directorships:		
	• Jom JT Sdn Bhd (*resigned on 9 January 2014*)	Operation and maintenance of power plant	Asdeq Services Sdn Bhd • Shareholder
	• Jalur Jernih Sdn Bhd (*resigned on 9 January 2014*)	Land owning and leasing	
	• Jimah O&M Sdn Bhd (*resigned on 9 January 2014*)	Operation and maintenance of power plant	
	• Jimah Energy Ventures Holdings Sdn Bhd *(resigned on 9 January 2014)*	Investment holding	

Director	***Directorships***	**Principal activities**	**Involvement in business activities other than as a director**
Dato' Zulkifli Bin Ibrahim *(cont'd)*	• Jimah Energy Ventures Sdn Bhd *(resigned on 9 January 2014)*	IPP and operation and maintenance of power plant	
Ritzlan Halim	*Present directorship:* Nil		TAEL Partners Ltd • Shareholder
	Previous directorship: • Fajar Capaian Sdn Bhd (*resigned on 7 November 2014*)	Investment holding	
Lim Hun Soon @ David Lim	*Present directorship*:		Institute of Chartered Accountants in England and Wales • Council member representing Malaysia
	• Affin Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad)	Investment banking	
	• Affin Investment Bank Berhad	Investment banking	Inbox System Sdn Bhd • Shareholder
	• Inbox System Sdn Bhd	Property investment	
	• Joy & Hope Sdn Bhd	Investment holding	Standomix Sdn Bhd • Shareholder
	• Manulife Holdings Berhad	Investment holding	Topcode Marketing Sdn Bhd • Shareholder
	• Manulife Insurance Berhad	Underwriting of life insurance business	
	• Newsmakers Production Sdn Bhd	Dormant	Sasbadi Holdings Berhad • Shareholder
	• Rockwills Trustee Berhad	Provide estate planning, custodian, trustee, will writing and will custody services	Creden (Hong Kong) Co. Ltd • Shareholder
	• Standoxmix Sdn Bhd	Property investment	
	• Topcode Marketing Sdn Bhd	Car parking operator	
	• Ann Joo Resources Berhad	Investment holdings	
	• Sasbadi Holdings Berhad	Investment holdings	

Director	***Directorships***	**Principal activities**	**Involvement in business activities other than as a director**
Lim Hun Soon @ David Lim *(cont'd)*	• Creden (Hong Kong) Co. Ltd.	Trading of optical products, investment holding and provision of management and administrative services	
	• Kawan Food Berhad	Investment Holding	
	Previous directorships: • PEIT (M) Sdn Bhd *(resigned on 30 May 2014)*	Dormant	
	• Designline Bus Pacific Limited *(resigned on 1 July 2013)*	Assembling & sale of buses	
	• IJM Land Berhad *(resigned on 25 May 2015)*	Investment holding	
	• Australaysia Resources & Minerals Berhad *(resigned on 31 August 2013)*	Investment in mineral and resources business	

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 joint ventures) 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 joint ventures) 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 Hamdan	*Our customers:*			
	• RUSB	• Director and substantial shareholder	-	100.00
	• REPC	• Substantial shareholder	-	100.00
	• Ranhill E&C Sdn Bhd	• Director and substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RCorp	• Director and substantial shareholder	-	90.00

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 Hamdan *(cont'd)*	• RERB	• Director and substantial shareholder	-	59.52
	Our suppliers:			
	• RBSB	• Director and substantial shareholder	-	50% + one share
	• RGSB	• Director and substantial shareholder	-	100.00
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder	-	100.00
	• Ranhill E&C Sdn Bhd	• Director and substantial shareholder	-	100.00
	• RCorp	• Director and substantial shareholder	-	90.00
	• RUSB	• Director and substantial shareholder	-	100.00

Tan Sri Hamdan is a substantial shareholder in Ranhill Global Systems Sdn Bhd and REPC by virtue of his direct shareholdings in RB and he is not involved in the management and day-to-day operations of these companies.

Interests that are held by Tan Sri Hamdan and the interests that may be held by our Directors in the future 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 ("AC")

Our AC was established and constituted by our Board on 1 December 2015. The primary functions of the AC are to:

(i) Assist our Board in fulfilling its statutory and fiduciary responsibilities of monitoring our Group's management of financial processes, and accounting and financial reporting practices;

(ii) Review our Group's business processes, the quality of the accounting function, financial reporting and the system of internal controls;

(iii) Enhance the independence of the external and internal audit functions by providing direction to and oversight of these functions on behalf of our Board; and

(iv) Assist our Board in ensuring an effective ethics programme is implemented, and monitor compliance with established policies and procedures.

Our AC currently comprises the following members:

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

The responsibilities and duties of the AC are to:

(i) Financial Reporting and Performance Oversight

(a) Review quarterly and annual financial statements with management and internal auditors, prior to approval by our Board, focusing on any change in accounting policies and practices and its implementation, significant adjustments arising from the audit, going concern assumptions and compliance with accounting standards and regulatory requirements. The review by the external auditors on the quarterly and/or the annual financial statements would be on a case to case basis, when necessary;

(b) Review audited financial statements with the external auditors, prior to approval by our Board, on whether there is any:
- Qualification in the auditor's report which must be discussed and acted upon;
- Significant change and adjustment to the presentation of financial statements;
- Non-compliance with laws and accounting standards;
- Material fluctuation in balances;
- Significant variation in audit scope and approach; and
- Significant commitment or contingent liability.

(c) Discuss problems and issues arising from the audits, and any matter the external auditors may wish to discuss in the absence of management, where necessary; and

(d) Provide our Board with assurance on the quality and reliability of financial information use by our Board and of the financial information issued publicly by our Group.

(ii) Oversight of Assurance, Compliance and Controls Environment

(a) Oversee the internal controls framework to ensure operational effectiveness and adequate protection of our Group's assets;

(b) Review, challenge and approve the internal audit charter, internal audit annual budget, audit and compliance plans, risk assessment and audit methodology and ensure adequacy of their scopes, robustness in the planning process and sufficient resources to implement the plans independently and objectively, and that they have the necessary authority to carry out their work;

(c) Review internal audits and compliance reports, discuss major findings and deficiencies in internal controls and management response and ensure agreed actions are taken timely;

(d) Approve the appointment or termination of the heads of assurance and compliance and assess their performance;

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

(f) Appraise or assess the internal audit function and competency; and

(g) To take cognisance of the resignation and termination of senior executives in the internal audit division and provide the resigning and terminated staff, an opportunity to submit his/her reasons for resigning.

(iii) Dealings with External Auditors

(a) Recommend to our Board, the appointment and any resignation or dismissal of the external auditors, and the audit fee;

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

(c) Monitor the extent of non-audit work to be performed by the external auditors.

(iv) Related Party Transactions

(a) Review related party transactions to ensure that they are in the best interest of our Group, fair, reasonable and undertaken on our Group's normal commercial terms, and not detrimental to the interests of the minority shareholders; and

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

(v) Other Matters

(a) Prepare a report on the AC at the end of the financial year pursuant to the Listing Requirements;

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

(c) Undertake any such other function as may be determined by our Board from time to time.

9.1.6 Nominating and Remuneration Committee

Our Nominating and Remuneration Committee ("**NRC**") was established and constituted by our Board on 1 December 2015. The primary functions of the NRC are to assist our Board in:

(i) identifying, nominating and orientating new Directors and assessing the performance of our Board and its members;

(ii) enabling our Group to attract, retain and motivate senior management and Directors (executive and non-executive) who will create sustainable value for shareholders and other stakeholders;

(iii) rewarding senior management and Directors fairly and responsibly, having regard to the performance of our Group, the performance of the individual and the external compensation environment;

(iv) achieving its objective of ensuring the Company has a board with effective composition, size and commitment to adequately discharge its responsibilites and duties;

(v) establishing a clear succession plan to ensure continuity in the strategic and tactical functioning of our Group; and

(vi) ensuring and promoting diversity among our Board members regardless of age, race or religion and gender, and at the same time ensuring they possess the requisite skills, knowledge, experience, independence, foresight and sound judgment for the effective management of the Company.

Our NRC currently comprises the following members:

Name	Designation	Directorship
Datuk Seri Saw Choo Boon	Chairman	Senior Independent Non-Executive Director
Abu Talib Bin Abdul Rahman	Member	Independent Non-Executive Director
Tan Sri Azman	Member	Non- Independent Non-Executive Director-

The responsibilities and duties of the NRC are to:

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

(ii) Review annually:

(a) The required mix of skills, experience, diversity (including age, race or religion and gender) and competencies required of Board members including its structure, composition and the optimum size of our Board and its committees to best serve our Group and its businesses and operations as a whole; and

(b) The role and responsibilities of the Directors and assess the contributions of each individual Director and the effectiveness of our Board, as a whole.

(iii) Facilitate the re-election by shareholders of any Director under the "retirement by rotation" provisions in the Company's articles of association 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) Determine the required skills and criteria of the chief executive or a person occupying such position by whatever name called, identify and recommend such suitable candidate to fill the position should a vacancy arises;

(v) Formulate plans for succession for the 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) Identify and recommend suitable orientation, educational and training programmes to continuously train and better equip the existing and new Directors in discharging their duties;

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

(viii) To review the remuneration package for non-executive directors and Board committees to be aligned to their responsibilities and contributions;

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

(x) To review the human resource development (training) and management policies, including the terms and conditions of service of Ranhill and the incentive schemes for the employees of our Group;

(xi) To establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of our Board, the Chief Executive Officer, Company Secretaries of Ranhill and our Group's key management personnel, as may be determined by the NRC, from time to time; and

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

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9.1.7 Governance and Risk Management Committee

Our Governance and Risk Management Committee ("**GRMC**") was established and constituted by our Board on 1 December 2015. The primary functions of the GRMC are to:

(i) Provide in-depth governance of risks for our Group;

(ii) Assist our Board to fulfil its corporate governance, risk management and statutory responsibilities in order to effectively manage the overall risk exposure of our Group; and

(iii) Assist our Board in applying principles and good practices of corporate governance, sustainability and corporate responsibility towards the Group's stakeholders and to ensure compliance with applicable regulatory and legal requirements.

Our GRMC currently comprises the following members:

Name	Designation	Directorship
Datuk Seri Saw Choo Boon	Chairman	Senior Independent Non-Executive Director
Abu Talib Bin Abdul Rahman	Member	Independent Non-Executive Director
Dato Sri Lim Haw Kuang	Member	Executive Director
Datuk Dr Nik Norzrul Thani Bin Nik Hassan Thani	Member	Independent Non-Executive Director

The responsibilities and duties of the GRMC are to:

(i) **Governance Oversight**

(a) Periodically review and assess the adequacy of our Group's corporate governance principles including the terms of reference for the Board and the Company's Articles of Association and recommend the necessary enhancement and updates;

(b) Review the corporate governance statement in reference to the MCCG 2012 or such other applicable best practices for the annual report for our Board's approval;

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

(d) Drive the ethics programme across our Group, including ensuring the implementation of the code of conduct and business ethics ("**CCBE**") and fraud and whistleblower programme are complied with;

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

(f) Review reports on violations of the CCBE and fraud and whistleblowing issues; and

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

(ii) Risk Strategy

(a) Review our Group's risk management philosophy and strategy and to recommend to our Board for approval;

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

(c) Review and propose the setting of the risk appetite and tolerance for our Group and its entities; and

(d) Maintain continued awareness of any changes in our Group's risk profile to ensure that our Group's business activities are in line with the overall risk strategy.

(iii) Risk Organisation

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

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

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

(d) Conduct independent review of our Group's risk management infrastructure, capabilities, environment and processes whenever necessary.

(iv) Risk Management

(a) Approve risk methodologies for measuring and managing risks arising from our Group's business and operational activities;

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

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

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

(v) Sustainability

(a) Review and recommend to our Board the sustainability strategies and plans including the budget required in implementing sustainability initiatives;

(b) Advise our Board on adoption of Corporate Sustainability ("**CS**") targets and processes;

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

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

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

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

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

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

(vi) Other Matters

(a) The Committee shall have the authority to delegate any of its responsibilities to any subcommittee as the committee deem appropriate;

(b) The Chairman of the GRMC shall coordinate with the Chairman of the AC to assist the AC in reviewing the Company's risks so that appropriate internal controls are developed accordingly; and

(c) The performance of the GRMC shall be evaluated on annual basis.

9.1.8 Strategy and Investment Committee

Our Strategy and Investment Committee ("**SIC**") was established and constituted by our Board on 1 December 2015. The primary function of the SIC is to assist our Board in formulating strategies for achieving the corporate objectives set by the Board, for making the right investment decisions, including major projects, acquisition, divestment, mergers and funding, and in reviewing and monitoring of the strategies. Our SIC currently comprises the following members:

Name	Designation	Directorship
Tan Sri Azman	Chairman	Non-Independent Non-Executive Director
Tan Sri Hamdan	Member	Executive Director
Dato Sri Lim Haw Kuang	Member	Executive Director
Dato' Zulkifli Bin Ibrahim	Member	Independent Non-Executive Director
Lim Hun Soon @ David Lim	Member	Independent Non-Executive Director

The responsibilities and duties of the SIC are to:

(i) Review the long term objectives of our Company and Group;

(ii) Direct and oversee the formulation of strategic direction and initiatives including mergers and acquisitions or disposal of businesses, investments and product portfolio;

(iii) Review and recommend for adoption by our Board, annual budgets and long term business plans to achieve the objectives of our Company and Group;

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

(v) Developing and reviewing the overall investment strategies and guidelines of the Group which are consistent with the objective to enhance shareholders' value;

(vi) Assessing the viability of all project investments and divestments proposed to our Board for consideration. Project investments include BOT project, mergers and acquisitions, and concession/privatisation; and

(vii) Assessing the terms of any form of funding (excluding project financing) which amount is greater than 30% of the net asset value of our Group based on latest available audited consolidated financial statements, proposed to our Board for consideration.

9.1.9 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.

9.1.10 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 2014 as our Company had yet to commence business in 2014 and was still in the Listing process. All our Directors were appointed to our Board on 1 December 2015, save for Tan Sri Azman, Dato Sri Lim Haw Kuang and Datuk Seri Saw Choo Boon who were appointed on 1 September 2014. 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 2015 are as follows:

Director	Remuneration band For the year ending 31 December 2015 (Estimate)
Tan Sri Azman*	RM250,001 – 300,000
Tan Sri Hamdan	RM2,750,001 – 2,800,000
Dato Sri Lim Haw Kuang	RM1,400,001 – 1,450,000
Datuk Seri Saw Choo Boon	RM200,001 – 250,000
Datuk Dr. Nik Norzrul Thani Bin Nik Hassan Thani*	RM150,001 – 200,000
Abu Talib Bin Abdul Rahman*	RM150,001 – 200,000
Dato' Zulkifli Bin Ibrahim*	RM150,001 – 200,000
Ritzlan Halim*	RM150,001 – 200,000
Lim Hun Soon @ David Lim*	RM150,001 – 200,000

**The remuneration of Directors who were appointed on 1 December 2015 will be pro-rated based on their respective annual remuneration accordingly.*

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 the overall operation of our Group.

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

Name	Nationality	Age	Designation
Tan Sri Hamdan	Malaysian	59	Executive Director/President and Chief Executive of Ranhill
Faizal Othman	Malaysian	50	Chief Operating Officer of Ranhill
Ahmad Zahdi Bin Jamil	Malaysian	62	Chief Executive Officer of environment division of Ranhill
Koh Boon Sian	Malaysian	47	Chief Finance Officer of Ranhill/Chief Executive Officer of RWT (Cayman)

Name	Nationality	Age	Designation
Norlian Abd Rahim	Malaysian	59	Chief Executive Officer of power division of Ranhill
Nazli Imran Mohd Mansor	Malaysian	47	Chief Operating Officer of power division of Ranhill
Abdul Wahab Abdul Hamid	Malaysian	60	Chief Executive Officer of SAJH
Ooi Kok Ping	Malaysian	53	Executive Director of RWT (Cayman)
Zainuddin Md Ghazali	Malaysian	61	Chief Operating Officer of RWSB
Nadzrim Abdul Hamid	Malaysian	47	Vice President of Group Treasury of Ranhill
Choo Chee Keen	Malaysian	45	Vice President of Group Accounting & Finance of Ranhill

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

9.2.1 Profiles of our key management

The profile of Tan Sri Hamdan is set out in Section 9.1.1 of this Prospectus. The profiles of our other key management are as follows:

FAIZAL OTHMAN, aged 50, was appointed as our Chief Operating Officer on 11 December 2015.

Faizal Othman graduated with a Bachelor of Engineering (Civil) degree from University of Tennessee, United States 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 RUSB's (formerly known as Ranhill Utilities Berhad) Business Development Division and he was subsequently promoted to General Manager in 2006. 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 (Cayman) Group and the formation of RWSB. He was then transferred to RGSB in January 2013 and seconded to RERB in June 2013, holding the same position. He also sits on the board of RWT and RWSB as an Executive Director, providing strategic guidance to these companies, particularly to RWSB's business expansion and operations including the current successful NRW portfolio. His involvement has brought several overseas contracts in Saudi Arabia, Nepal, India and the South East Asia region to the RWSB portfolio. He was also active in dealing with the key stakeholders for business plan submissions and tariff review exercises for SAJH. He was appointed as the Chief Operating Officer of RGSB on 24 July 2015.

AHMAD ZAHDI BIN JAMIL, aged 62, was appointed as the Chief Executive Officer of our environment division on 11 December 2015.

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 started his career as a Trainer and Consultant at Malaysia Entrepreneurial Development Centre, at Universiti Teknologi MARA in 1979 with involvement in several local and overseas entrepreneurial and business development project. In 1988, he was appointed as Senior Manager of the Human Resources Consulting Unit in KPMG Peat Marwick, Kuala Lumpur, 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. In 2002, he was appointed to the board of RUSB prior to being promoted to his present position. He has successfully transformed SAJH into an efficient company which was conferred with the Malaysian Water Association's ("**MWA**") Malaysia Outstanding Water Award for Management, Asia Corporate Social Responsibility Award for Best Workplace Practices, Best Practising Organisation at the Global Emerging Knowledge Organisation Award, and HR's Asia's Award for Best Companies to Work For in Asia.

In 2005, he established RWT and RWSB to strengthen the capabilities of RUSB as the holistic water and NRW reduction solution provider with businesses in Malaysia, Thailand, China, India and Saudi Arabia.

He was the president of the MWA from 2009 to 2013, and lead MWA to several achievements by establishing the Malaysia Water Academy, formation of Water Loss Asis Exhibition and Conference, and the Borneo Water Exhibition and Conference.

KOH BOON SIAN, aged 47, was appointed as our Chief Finance Officer on 11 December 2015. He was the Senior Vice President of Group Corporate Finance of RGSB prior to assuming the post of Group Chief Finance Officer of RGSB on 1 August 2015. He was also appointed as Chief Executive Officer of RWT (Cayman) on 1 June 2009.

He obtained his Bachelor of Accountancy (Honours) degree from University Malaya in 1993 and is a Member of the Malaysian Institute of Accountants. Upon graduation in 1993, he joined Renong Berhad ("**Renong**") as a Management Trainee, and was exposed to management accounting, finance management services, office administration, business development, human resources and operations. In 1994, he joined TH Loy Industries Berhad as an Internal Audit Executive. He later joined Crest Petroleum Berhad ("**Crest**") as a Senior Internal Audit Executive. His short stay with Crest was a valuable one as he had the opportunity to assist in setting up the commercial department of Uzmal Oil, a joint venture company in Tashkent, Uzbekistan.

Between 1995 and 1997, he also had the opportunity to work in Indonesia as the Commercial Manager with Probadi Indonesia, a representative office of Renong's oil and gas division. His experience was in monitoring all accounting, office administration and asset management aspects for the operating company holding a 30 years production sharing contract in Indonesia. In 1998, he was the Property Manager of Keretapi Tanah Melayu Berhad overseeing the assets of the national railway company in the state of Johor and Singapore. He was involved in the proposed privatisation of the national railway.

Subsequently, he joined SAJH in 1999 to assist in the first holistic water privatisation in Malaysia. He started his career in SAJH as Senior Finance Manager. In 2004, he was appointed as Senior Vice President in the Corporate Finance Department of RB. Subsequently, he was transferred to RGSB in January 2013, holding the same position.

NORLIAN ABD RAHIM, aged 59, was appointed as Chief Executive Officer of the power division of our Group on 1 January 2014.

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 our Board of Engineers, Malaysia.

She began her career in 1985 with Lembaga Letrik Sabah before joining EPE Power Corporation Sdn Bhd *(now known as RGSB)* 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 RGSB where she was responsible for day-to-day management of all the operations of RGSB's subsidiaries including RPI, RPII, RPOM and RPOMII. In 1 May 2009, she was promoted to Chief Executive Officer of RGSB, when she was transferred to RGSB's power division and redesignated as Chief Executive Officer due to the Internal Reorganisation by RB (as described in Section 6.1.2 of this Prospectus).

NAZLI IMRAN MOHD MANSOR, aged 47, was appointed as Chief Operating Officer of the power division of our Group on 1 January 2014.

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 RGSB)* 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 RGSB as General Manager and was later promoted to the position of Chief Operating Officer in 2009, a position he has held until his transfer to RGSB's power division on 1 January 2014 and was redesignated as Chief Operating Officer due to the Internal Reorganisation by RB (as described in Section 6.1.2 of this Prospectus).

He has 17 years of experience in the power industry and had also been extensively involved in RGSB's debt restructuring and various financing exercises including RGSB's issuance of Islamic and non-Islamic instruments.

ABDUL WAHAB ABDUL HAMID, aged 60, 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.

OOI KOK PING, aged 53, 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 of 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 61, 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 our Board of Engineers, Malaysia, a Fellow of the Institution of Engineers, 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.

NADZRIM ABDUL HAMID, aged 47, was appointed as Vice President, Group Treasury of our Group on 11 December 2015.

He obtained an Accounting Degree from University of Central Lancashire in the United Kingdom in 1992. He is also a qualified Lead Assessor of ISO9001 certified by SIRIM.

Upon his return from United Kingdom, he did a part time lecturing in accounting at Institute Teknologi MARA in Malacca. He started his career as an Account Executive in Ambank in 1994. In 1997, he joined Dagang Net Sdn Bhd, a subsidiary of TIME Engineering Bhd as an Assistant Manager, Finance and was promoted to Manager few years later. He joined Commerce Asset Ventures Sdn Bhd in 2001 as a Senior Analyst before joining RB.

He joined RB in 2004 as Senior Analyst. His function was to evaluate potential investment opportunities in both power and energy sectors for the Office of Chief Executive. He was then assigned to look after RB's investment in Laraib Energy Limited of Pakistan of which he had evaluated. He was also instrumental in negotiating a successful RB's exit from the Pakistani project in 2007. After that, he was assigned to another RB project in Tripoli, Libya for the construction of 10,000 housing units for the Libyan Government from January 2008 to February 2011 where he was the designated Vice President of Finance. Nonetheless, RB had to evacuate from Libya following the civil unrest in 2011. Upon his return to Malaysia, he was assigned to look after the Treasury and Group Litigation function of RB. Subsequently, he was transferred to RGSB in 2013 holding the same function until his designation as Vice President, Treasury and Group Litigation on 1 January 2015. As of 1 August 2015, he was re-designated as Vice President, Group Treasury.

He currently sits on the Board of RBSB. He has extensive experience in accounting, information technology and financing.

CHOO CHEE KEEN, aged 45, was appointed as Vice President of Group Accounting & Finance of our Group on 11 December 2015.

He graduated with an Accounting Degree in Chartered Institute of Management Accountants in 1997 and is a Chartered Accountant registered with the Malaysian Institute of Accountants since 1999. He was accorded with Fellowship of the Chartered Institute of Management Accountants in 2005.

He began his career in 1994 as an Account Supervisor with Soctek Sdn Bhd, a palm oil refinery company where he attained his manufacturing experience. In 1995, he joined Merces Builders Sdn Bhd, a construction company as an Account Executive where he was promoted to Accountant in 1997. He subsequently joined Nam Fatt Corporation Berhad as a Finance Manager in 1999 where he was in charge of overseas ventures in Sudan and Vietnam besides overseeing finance roles locally.

He began his career in Ranhill Group in 2005 as a General Manager of Ranhill Engineers & Constructors Sdn Bhd where he was posted to Sudan for a short period to set up the project accounting department. He was transferred to RB as General Manager of Group Accounting & Finance in late 2005. He was subsequently transferred to RGSB in January 2013 holding the same position, until his promotion to Vice President of Group Accounting & Finance in April 2014.

He has more than 20 years of experience covering variety of assignments such as listing exercise with Merces Builders Sdn Bhd and negotiation with tax authority in Sudan resulted in substantial tax savings for Nam Fatt Corporation Berhad. He also participated in corporate finance exercises such as raising of USD 220 million Guaranteed Notes by RB and RM800 million Sukuk Musharakah issued by RGSB which has been novated to RCSB pursuant to the Transfer of Sukuk under the Pre-Offering Reorganisation.

9.2.2 Shareholding of our key management

The following table sets forth the direct and indirect shareholdings of each of our key management as at the date of this Prospectus and after our Offering:

	Before our Offering				After our Offering[1]			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
Tan Sri Hamdan	-	-	297,610,098	[4]52.6	[5]-	-	[5]297,760,098	[4]31.6
Faizal Othman	-	-	-	-	80,000	*	-	-
Ahamd Zahdi Jamil	433,110	0.1	-	-	513,110	0.1	-	-
Koh Boon Sian	-	-	-	-	80,000	*	-	-
Norlian Abd Rahim	-	-	-	-	80,000	*	-	-
Nazli Imran Mohd Mansor	-	-	-	-	45,000	*	-	-
Abdul Wahab Abdul Hamid	-	-	-	-	45,000	*	-	-
Ooi Kok Ping	-	-	-	-	80,000	*	-	-
Zainuddin Md Ghazali	-	-	-	-	80,000	*	-	-
Nadzrim Abdul Hamid	-	-	-	-	45,000	*	-	-
Choo Chee Keen	-	-	-	-	45,000	*	-	-

Notes:

* *Negligible*

(1) *Assuming full subscription for the Issue Shares allocated to our key management as Eligible Individuals under the Retail Offering, but excludes any other Offering Shares that they may subscribe under the Offering.*

(2) *Based on our issued and paid-up share capital of 565,994,967 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of up to 940,994,967 Shares post the Public Issue.*

(4) *Deemed interested by virtue of (i) his interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act and (ii) him being the sole beneficiary of the Hamdan Foundation which owns the entire equity stake in Hamdan Inc.. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) below for further details on the foundation arrangement.*

(5) *Tan Sri Hamdan will nominate Hamdan Inc. to subscribe on his behalf any of the Issue Shares which he may so wish to subscribe under the Retail Offering.*

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 as at the LPD:

Key management	Directorship	Principal activities	Involvement in business activities other than as a director
Faizal Othman	*Present directorships:*		
	• Assuredwell Construction Sdn Bhd	Dormant	Assuredwell Construction Sdn Bhd • Direct shareholder
	• Ranhill Environment Vietnam Sdn Bhd (formerly known as Water Stone Sdn Bhd)	Has not commenced business	
	• RB Ventures Sdn Bhd	Property investment holding	
	• RBSB	Provision of engineering, procurement and construction management services, and project management services	
	• MediGlobal Malaysia Sdn Bhd	Ceased operation	
Ahmad Zahdi Bin Jamil	*Present directorships:*		RERB • Direct shareholder
	• Ranhill Foundation	Dormant	
	• RUSB	Investment holding and provision of management consultancy and technical support to its subsidiaries and consultancy services	RB • Direct shareholder Nusantara Cement Sdn Bhd • Direct shareholder
	• LOSB	Investment holding and provision of management services	Ranhill Foundation • Shareholder
	• Rancak Bistari Sdn Bhd	Investment holding and provision of management services	LOSB • Shareholder Rancak Bistari Sdn Bhd • Shareholder
	• Assuredwell Construction Sdn Bhd	Dormant	
	• Malaysian Water Academy Sdn Bhd	To provide training, conduct research and organise courses, seminars and conferences related to water industries	
	• Bangga Ulung Sdn Bhd	Investment properties	
	• Standard Trend Sdn Bhd	General trading	

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

Key management	Directorship	Principal activities	Involvement in business activities other than as a director
Ahmad Zahdi Bin Jamil *(cont'd)*	• HBO Sdn Bhd	Management consulting services	
	• Ranhill Environment Vietnam Sdn Bhd (formerly known as Water Stone Associates Sdn Bhd)	Has not commenced business	
	• RERB	Investment holding	
	• RanhillWP Sdn Bhd	Investment holding	
	• RGSB	Investment holding and provision of management services to the subsidiaries	
	• RB	Investment holding, provision of management services to its subsidiaries and provision of engineering, procurement and construction services	
	• RCorp	Investment holding	
	• Nusantara Cement Sdn Bhd	Property holding (receiving income from property-tenancy agreement with SAJ Holdings Sdn Bhd since 2002)	
Norlian Abd Rahim	*Present directorships:*		
	• Ranhill Bhola Holdings Sdn Bhd	Dormant	
	• Ranhill Bhola Power Sdn Bhd	Dormant	
	• RGSB	Investment holding and provision of management services to the subsidiaries	
Nazli Imran Mohd Mansor	*Present directorship:* • NJay Resources Sdn Bhd	Dormant	NJay Resources Sdn Bhd • Direct shareholder
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	
Ooi Kok Ping	*Present directorship:* • Sierra Master (M) Sdn Bhd	Investment holding	Sierra Master (M) Sdn Bhd • Direct shareholder
Nadzrim Abdul Hamid	*Present directorship:* • RBSB	Provision of EPCM services and project management services	

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) Tan Sri Hamdan

The profile of Tan Sri Hamdan is set out in Section 9.1.1 of this Prospectus.

(ii) Hamdan Foundation

Hamdan Foundation was established under the Labuan Foundations Act 2010 on 11 May 2015. The founder of the Hamdan Foundation is Tan Sri Hamdan.

The purpose of the Hamdan Foundation is to hold the identified assets of Tan Sri Hamdan as part of his assets management and estate planning. During Tan Sri Hamdan's lifetime, he will be the sole beneficiary of the assets of the Hamdan Foundation and he reserves all rights in the decision making and management of the Hamdan Foundation. Tan Sri Hamdan is also the sole council member of the Hamdan Foundation.

The officer of the Hamdan Foundation is Bank Islam Trust Company (Labuan) Ltd.

The Hamdan Foundation is established in perpetuity, unless it is revoked by the founder himself.

(iii) Hamdan Inc.

Hamdan Inc. was incorporated in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990 on 30 April 2015. It is an investment holding company established to hold Tan Sri Hamdan's personal holding of shares in RERB, LOSB and RCorp which was transferred to Hamdan Inc. on 1 May 2015. Tan Sri Hamdan will nominate Hamdan Inc. to subscribe on his behalf any of the Issue Shares which he may so wish to subscribe under the Retail Offering.

Hamdan Inc. has an issued and paid-up share capital comprising one ordinary share of USD1.00 as at the date of this Prospectus.

As at the date of this Prospectus, Tan Sri Hamdan is the sole director of Hamdan Inc.. The substantial shareholder of Hamdan Inc. and its shareholding in Hamdan Inc. as at the date of this Prospectus is as follows:

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

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Hamdan Foundation	1	100.00	-	-
Tan Sri Hamdan			1[(1)]	100.00

Note:

(1) *Deemed interested by virtue of him being the sole beneficiary of the Hamdan Foundation.*

(iv) 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 Tan Sri Hamdan and Ahmad Zahdi Bin Jamil. The substantial shareholders of LOSB and their respective shareholdings in LOSB as at the date of this Prospectus are as follows:

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Hamdan Inc.	9,000,000	90.00	-	-
Ahmad Zahdi Bin Jamil	500,000	5.00	-	-
Dato' Sri Che Khalib Bin Mohamad Noh	500,000	5.00	-	-
Hamdan Foundation	-	-	9,000,000	[(1)]90.00
Tan Sri Hamdan	-	-	9,000,000	[(2)]90.00

Notes:

(1) *Hamdan Inc. is wholly-owned by the Hamdan Foundation.*

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

(v) 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 Tan Sri Hamdan and Ahmad Zahdi Bin Jamil. The substantial shareholder of RCorp and its shareholding in RCorp as at the date of this Prospectus is as follows:

	Direct		Indirect	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Hamdan Inc.	2,000,000	100.00	-	-
Hamdan Foundation	-	-	2,000,000	(1)100.00
Tan Sri Hamdan	-	-	2,000,000	(2)100.00

Notes:

(1) *Hamdan Inc. is wholly-owned by the Hamdan Foundation.*

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

9.3.2 Profiles of our substantial shareholders

(i) Tan Sri Hamdan

Tan Sri Hamdan is one of our Promoters. The profile of Tan Sri Hamdan is set out in Section 9.1.1 of this Prospectus.

(ii) Hamdan Foundation

Hamdan Foundation is one of our Promoters. The profile of Hamdan Foundation is set out in Section 9.3.1(ii) of this Prospectus.

(iii) Hamdan Inc.

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

(iv) LOSB

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

(v) RCorp

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

(vi) 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 its 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, none of our Directors, key management, Promoters and substantial shareholders has any shareholding in TAEL Management Co. (Cayman) Ltd.

** In the event that the Offer for Sale for the full 100,000,000 OFS Shares is undertaken and the Over-allotment Option is fully exercised, Cheval will no longer be one of our substantial shareholders.*

(vii) Tan Sri Azman

Tan Sri Azman is also one of our Directors. The profile of Tan Sri Azman is set out in Section 9.1.1.

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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 Offering based on our Register of Substantial Shareholders' Shareholdings as at the date of this Prospectus:

	Before our Offering				After our Offering[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	181,228,777	32.0	-	-	[4]81,228,777	[4]8.6	-	-	[4]9,978,777	[4]1.1	-	-
LOSB	219,537,594	38.8	-	-	219,537,594	23.3	-	-	219,537,594	23.3	-	-
RCorp	65,830,466	11.6	-	-	65,830,466	7.0	-	-	65,830,466	7.0	-	-
Hamdan Inc.	12,242,038	2.2	285,368,060	[5]50.4	[7]12,392,038	1.3	285,368,060	[5]30.3	[7]12,392,038	1.3	285,368,060	[5]30.3
Hamdan Foundation	-	-	297,610,098	[6]52.6	-	-	297,760,098	[6]31.6	-	-	297,760,098	[6]31.6
Tan Sri Hamdan	-	-	297,610,098	[8]52.6	[7]-	*	[7]297,760,098	[8]31.6	[7]-	*	[7]297,760,098	[8]31.6
Tan Sri Azman	1,100,000	0.2	23,455,381	[10]4.1	[9]2,350,000	0.2	46,910,762	[10]5.0	[9]2,350,000	0.2	46,910,762	[10]5.0

Notes:

* *Negligible*

(1) *Excludes Offering Shares that they may subscribe under the Offering, except as described below.*

(2) *Based on our issued and paid-up share capital of 565,994,967 Shares as at the date of this Prospectus.*

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

(3) *Based on our enlarged issued and paid-up share capital of up to 940,994,967 Shares post the Public Issue (assuming a Public Issue of up to 375,000,000 Issue Shares)*

(4) *Assuming an Offer for Sale for the full 100,000,000 OFS Shares is undertaken and that Cheval does not subscribe to any Offering Shares under the Public Issue.*

(5) *Deemed interested by virtue of its interest in LOSB and RCorp pursuant to Section 6A of the Act. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(6) *Deemed interested by virtue of its interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(7) *Assuming full subscription of the Issue Shares allocated to Tan Sri Hamdan as Eligible Individual under the Retail Offering but excludes any other Offering Shares that Tan Sri Hamdan may subscribe under the Offering. Tan Sri Hamdan will nominate Hamdan Inc. to subscribe on his behalf any of the Issue Shares which he may so wish to subscribe under the Retail Offering.*

(8) *Deemed interested by virtue of (i) his interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act and (ii) him being the sole beneficiary of the Hamdan Foundation which owns the entire equity stake in Hamdan Inc.. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(9) *Assuming full subscription of the Issue Shares allocated to Tan Sri Azman as shareholders of Symphony pursuant to the Restricted Offering as well as Issue Shares allocated to him as Eligible Individual under the Retail Offering, but excludes any other Offering Shares that Tan Sri Azman may subscribe under the Offering.*

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

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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 28 April 2014 up to the date of this Prospectus, and after our Offering:

	As at 28 April 2014				As at 25 November 2014				Before our Offering				After our Offering[1]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	[2]%	No. of Shares	[2]%	No. of Shares	[3]%	No. of Shares	[3]%
Zuriati binti Yaacob	1	50.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Umar Abdul Aziz bin Abdul Latif	1	50.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RERB	-	-	-	-	2	100.0	-	-	-	-	-	-	-	-	-	-
Cheval	-	-	-	-	-	-	2	[4]100.0	181,228,777	32.0	-	-	[5]81,228,777	8.6	-	-
LOSB	-	-	-	-	-	-	2	[4]100.0	219,537,594	38.8	-	-	219,537,594	23.3	-	-
RCorp	-	-	-	-	-	-	2	[4]100.0	65,830,466	11.6	-	-	65,830,466	7.0	-	-
Hamdan Inc.	-	-	-	-	-	-	2	[6]100.0	12,242,038	2.2	285,368,060	[7]50.4	[8]12,392,038	1.3	285,368,060	[7]30.3
Hamdan Foundation	-	-	-	-	-	-	2	[9]100.0	-	-	297,610,098	[10]52.6	-	-	297,760,098	[10]31.6
Tan Sri Hamdan	-	-	-	-	-	-	2	[11]100.0	-	-	297,610,098	[12]52.6	[8]-	*	[8]297,760,098	[12]31.6
Tan Sri Azman	-	-	-	-	-	-	-	-	1,100,000	0.2	23,455,381	[13]4.1	[14]2,350,000	0.2	46,910,762	[13]5.0

Notes:

* *Negligible*

(1) *Excludes Offering Shares that they may subscribe under the Offering, except as described below.*

(2) *Based on our issued and paid-up share capital of 565,994,967 Shares as at the date of this Prospectus.*

(3) *Based on our enlarged issued and paid-up share capital of up to 940,994,967 Shares post the Public Issue (assuming a Public Issue of up to 375,000,000 Issue Shares).*

(4) *Deemed interested by virtue of its interest in RERB pursuant to Section 6A of the Act.*

(5) *Assuming an Offer for Sale for the full 100,000,000 OFS Shares is undertaken, the Over-allotment Option is not exercised and that Cheval does not subscribe to any Offering Shares under the Public Issue.*

(6) *Deemed interested by virtue of its interest in LOSB, RCorp and RERB pursuant to Section 6A of the Act.*

(7) *Deemed interested by virtue of its interest in LOSB and RCorp pursuant to Section 6A of the Act.*

(8) *Assuming full subscription of the Issue Shares allocated to Tan Sri Hamdan as Eligible Individual under the Retail Offering but excludes any other Offering Shares that Tan Sri Hamdan may subscribe under the Offering. Tan Sri Hamdan will nominate Hamdan Inc. to subscribe on his behalf any of the Issue Shares which he may so wish to subscribe under the Retail Offering.*

(9) *Deemed interested by virtue of its interest in Hamdan Inc., LOSB, RCorp and RERB pursuant to Section 6A of the Act. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(10) *Deemed interested by virtue of its interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(11) *Deemed interested by virtue of (i) his interest in Hamdan Inc., LOSB, RCorp and RERB pursuant to Section 6A of the Act and (ii) him being the sole beneficiary of the Hamdan Foundation which owns the entire equity stake in Hamdan Inc.. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

(12) *Deemed interested by virtue of (i) his interest in Hamdan Inc., LOSB and RCorp pursuant to Section 6A of the Act and (ii) him being the sole beneficiary of the Hamdan Foundation which owns the entire equity stake in Hamdan Inc.. Please refer to Sections 9.3.1(ii) and 9.3.1(iii) above for further details on the foundation arrangement.*

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

(14) *Assuming full subscription of the Issue Shares allocated to Tan Sri Azman as shareholder of Symphony pursuant to the Restricted Offering as well as Issue Shares allocated to him as Eligible Individual under the Retail Offering, but excludes any other Offering Shares that Tan Sri Azman may subscribe under the Offering.*

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9.3.5 Involvement of our substantial shareholders in other businesses or corporations (other than our joint ventures) 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 joint ventures) 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 suppliers:*			
	• RBSB	• Substantial shareholder	-	≈50%
	• RGSB	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	Our customers:			
	• RUSB	• Substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RERB	• Substantial shareholder	36.25	-
LOSB	*Our suppliers:*			
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder	-	100.00
	• RBSB	• Substantial shareholder	-	≈50%
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RGSB	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	Our customers:			
	• REPC	• Substantial shareholder of REPC	-	100.00
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RERB	• Substantial shareholder	43.91	-

RCorp	*Our suppliers:*			
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder	-	100.00
	• RBSB	• Substantial shareholder	-	≈50%
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RGSB	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	Our customers:			
	• REPC	• Substantial shareholder of REPC	-	100.00
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RERB	• Substantial shareholder	13.17	-
Hamdan Inc.	*Our suppliers:*			
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder	-	100.00
	• RBSB	• Substantial shareholder	-	≈50%
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RGSB	• Substantial shareholder	-	100.00
	• RCorp	• Substantial shareholder	90.00	-
	• RUSB	• Substantial shareholder	-	100.00
	Our customers:			
	• REPC	• Substantial shareholder of REPC	-	100.00
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RCorp	• Substantial shareholder	90.00	-
	• RERB	• Substantial shareholder	2.45	57.07

Hamdan Foundation	*Our suppliers:*			
	• Ranhill Global Systems Sdn Bhd	• Substantial shareholder	-	100.00
	• RBSB	• Substantial shareholder	-	≈50%
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RGSB	• Substantial shareholder	-	100.00
	• RCorp	• Substantial shareholder	-	90.00
	• RUSB	• Substantial shareholder	-	100.00
	Our customers:			
	• REPC	• Substantial shareholder of REPC	-	100.00
	• Ranhill E&C Sdn Bhd	• Substantial shareholder	-	100.00
	• RUSB	• Substantial shareholder	-	100.00
	• Ranhill Environment Vietnam Sdn Bhd	• Substantial shareholder	-	100.00
	• RCorp	• Substantial shareholder	-	90.00
	• RERB	• Substantial shareholder	-	59.52

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 carrying on a similar trade or 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:

(i) Tan Sri Hamdan who is our Director, Promoter and substantial shareholder, and the President and Chief Executive of our Group is also a director and substantial shareholder of RCorp and LOSB. RCorp and LOSB are our Promoters and substantial shareholders;

(ii) Hamdan Foundation which is our Promoter and substantial shareholder has Tan Sri Hamdan as its sole beneficiary during his lifetime;

(iii) Hamdan Inc. which is our Promoter and substantial shareholder is the sole shareholder of RCorp and is also a substantial shareholder of LOSB. Hamdan Inc. is wholly-owned by the Hamdan Foundation;

(iv) Ahmad Zahdi Bin Jamil who is the Chief Executive Officer of our environment division is also a director and substantial shareholder of LOSB. LOSB is our Promoter and substantial shareholder; and

(v) Ritzlan Halim who is our Non-Independent Non-Executive Director is a corporate representative of Cheval. Cheval is our substantial shareholder*.

** In the event that the Offer for Sale for the full 100,000,000 OFS Shares is undertaken and the Over-allotment Option is fully exercised, Cheval will no longer be one of our substantial shareholders.*

9.5 Declaration by our Directors, key management and Promoters

Each of our Directors, key management and Promoters has confirmed that he or she is not and has not 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.

9.6 Additional disclosure

(i) Litigation suit involving Tan Sri Hamdan

Unaoil Limited ("**Unaoil**") v RB, Tan Sri Hamdan, Amran bin Awaluddin, Amona Ranhill Consoritum Sdn Bhd ("**ARC**") and Nicholas Lough @ Shariff Lough Abdullah

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 Tan Sri Hamdan 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, Tan Sri Hamdan, Amran bin Awaluddin, ARC and Nicholas Lough @ Shariff Lough Abdullah as defendants (collectively, "**Defendants**"). The claims against the Defendants in the Malaysian Suit were 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 who acted for Tan Sri Hamdan and RB, and Amran bin Awaluddin respectively were of the view that there was a 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 had expressed a belief that there was 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 had 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.

On 20 September 2013, the Plaintiff filed in the High Court of Malaya, Kuala Lumpur a notice of discontinuance against all the Defendants. Based on a court order issued by the High Court of Malaya, Kuala Lumpur on 27 September 2013, it was ruled that the Malaysian Suit was dismissed with no liberty to institute a fresh suit. Also, Unaoil has been ordered to pay cost for the respective defendants.

(ii) Reprimand by the SC on Tan Sri Hamdan

In January 2013, RERB had applied for an initial public offering ("**IPO**") and the listing of its shares on the Main Market of Bursa Malaysia Securities Berhad. The prospectus in relation to the IPO was registered with the SC on 3 July 2013 and the IPO was launched on 4 July 2013.

However, on 17 July 2013, a licence ("**Licence**") issued by PETRONAS to Perunding RanhillWorley Sdn Bhd ("**PRWSB**") was suspended ("**Suspension**"). PRWSB, an affiliate of RERB, is principally involved in the business of providing engineering and design services of oil and gas facilities. PRWSB is 99.99% owned by Tan Sri Hamdan.

Under the Petroleum Regulation 1974 and the PETRONAS Licensing and Registration General Guidelines, licences for work in the upstream sector of the oil and gas industry, including engineering and project management services, are granted only to companies qualified by the Board of Engineers Malaysia or other relevant professional bodies in Malaysia ("**Engineering Companies**"). Under the Registration of Engineers Act 1967, an Engineering Company is then subject to several requirements, including the requirement to have 70% of its overall equity held by the professional engineers, professional architects, registered quantity surveyors and other related persons. Hence, PRWSB has to maintain its shareholding structure to hold the Licence.

Pursuant to a service agreement dated 12 July 2012, PRWSB had appointed RWorley on an exclusive basis to perform detailed engineering procurement and construction management services in respect of all the projects awarded to PRWSB in Malaysia.

RERB, via PRWSB, was made aware of the Suspension on 17 July 2013. This was followed by an appeal against the Suspension that was submitted by RERB to PETRONAS on 18 July 2013.

On 25 July 2013, PETRONAS had vide its letter to PRWSB, reinstated PRWSB's Licence in respect of upstream activities effective from 25 July 2013. However, the Licence for downstream activities remained suspended and was only reinstated in January 2014. Pursuant to the foregoing, RERB had decided to voluntarily withdraw its IPO application on 26 July 2013 after having consultation with the relevant joint global coordinators as well as taking into consideration the market and investor sentiment following the occurrence of the events.

Given Ranhill's reliance on PRWSB for contracts secured from PETRONAS by virtue of the Licence held by PRWSB, and the material contribution of such contracts to RERB's revenue, the Suspension was a material change in circumstance, rendering the disclosures in the Prospectus as no longer accurate and possibly misleading.

Consequently, pursuant to the obligations under the CMSA, RERB was required to immediately inform the SC of the Suspension once PRWSB had received the notice of Suspension on 17 July 2013 despite efforts to seek upliftment of the Suspension during the material time. The notice of Suspension was received after closing of both the retail and institutional offerings and the allotment of IPO shares to successful applications was scheduled for 29 July 2013. However, the SC was only informed of the Suspension on 23 July 2013.

In view of this, the SC issued a Notice to Show Cause on 4 October 2013 under subsection 354(4) of the CMSA to RERB for breach of subsection 215(3) and 377(3) of the CMSA, which in turn result in a breach of subsection 354(1) of the CMSA. RERB and Tan Sri Hamdan had respectively responded to the Notice to Show Cause on 8 October 2013.

The SC had vide its letter dated 7 November 2013 imposed a penalty of RM200,000 on RERB, and reprimand as well as impose a penalty of RM300,000 on Tan Sri Hamdan for the above breach. The penalty has been fully settled.

Notwithstanding the above, such penalty does not amount to a charge, conviction or compound in a court of law.

9.7 Other matters

Save as disclosed in Section 9.1.10 of this Prospectus on remuneration received by our Directors in the course of their employment and directors' fees, no other amounts or benefits have been paid or intended to be paid to our Directors, Promoters and substantial shareholders within the two (2) years preceding the date of this Prospectus.

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10. FINANCIAL INFORMATION

10.1 Historical combined financial information

All references to our financial condition and results of operations within Sections 10.1 and 10.2 herein refer to the Identified Entities' financial condition and results of operations.

The following selected historical financial information for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 have been prepared from 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 historical combined financial information" set out in Section 10.2 of this Prospectus and the Accountants' Report, together with its related notes as set out in Section 11.2 of this Prospectus.

Prospective investors should note that we were part of the RB Group prior to the Internal Reorganisation and part of the RERB Group after the completion of the Internal Reorganisation II prior to the Pre-Offering Reorganisation. The Combined Financial Statements have been prepared as if the Identified Entities had operated as a single economic entity throughout the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015. The financial information as presented in the Combined Financial Statements may not be the same as the consolidated financial statements of our Group post-Offering. Further, the information does not purport to predict our Group's financial position, results and cash flows. Refer to Sections 6.1.2, 6.1.4, 10.3 and 10.5 of this Prospectus for further information on the Internal Reorganisation, Internal Reorganisation II and the Pre-Offering Reorganisation and our pro forma consolidated financial information.

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10.1.1 Historical combined statements of comprehensive income

	Year ended 31 December (Audited)		
	2012	2013	2014
		(RM'000)	
Revenue	1,158,951	1,199,140	1,294,342
Cost of sales	(798,612)	(862,877)	(949,396)
Gross profit	360,339	336,263	344,946
Other items of income			
Interest income	65,751	65,162	62,987
Other income	4,633	40,166	6,394
Other items of expense			
Administrative expenses	(127,985)	(155,555)	(147,005)
Other operating expenses	(1,693)	(2,376)	(2,536)
Tendering and marketing expenses	(957)	(1,315)	(1,323)
Finance costs	(85,473)	(99,936)	(77,869)
Zakat	(1,961)	(2,197)	(4,874)
Share of profit of a joint venture	8,740	1,609	9,088
PBT	221,394	181,821	189,808
Income tax expense	(60,995)	(50,323)	(55,367)
PAT	160,399	131,498	134,441
Other comprehensive income:			
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods	-	1,437	-
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(1,320)	7,210	6,127
Other comprehensive (loss)/income for the year, net of tax	(1,320)	8,647	6,127
Total comprehensive income for the year	159,079	140,145	140,568
PAT attributable to:			
Owners of the parent	94,091	84,647	98,114
Non-controlling interests	66,308	46,851	36,327
	160,399	131,498	134,441

	Year ended 31 December (Audited)		
	2012	2013	2014
		(RM'000)	
Total comprehensive income attributable to:			
Owners of the parent	93,173	92,313	104,241
Non-controlling interests	65,906	47,832	36,327
	159,079	140,145	140,568
EBITDA[(1)]	459,161	520,378	507,752
Gross profit margin[(2)] (%)	31.1	28.0	26.7
EBITDA margin[(3)] (%)	39.6	43.4	39.2
PBT margin[(4)] (%)	19.1	15.2	14.7
PAT margin[(5)] (%)	13.8	11.0	10.4
EPS (RM)			
- based on existing issued share capital [(6)]	0.17	0.15	0.17
- based on enlarged share capital [(7)]	0.10	0.09	0.10

Notes:

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

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

(3) *Computed based on EBITDA divided by total revenue.*

(4) *Computed based on PBT divided by total revenue.*

(5) *Computed based on PAT divided by total revenue.*

(6) *Computed based on our existing share capital of approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(7) *Computed based on our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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	Six months ended 30 June (Audited)	
	2014	2015
	(RM'000)	
Revenue	645,452	628,264
Cost of sales	(460,821)	(453,095)
Gross profit	184,631	175,169
Other items of income		
Interest income	31,589	31,383
Other income	3,038	3,812
Other items of expense		
Administrative expenses	(68,596)	(69,367)
Other operating expenses	(1,335)	(811)
Tendering and marketing expenses	(393)	(590)
Finance costs	(42,061)	(52,267)
Zakat	(500)	(840)
Share of profit of a joint venture	4,880	4,127
PBT	111,253	90,616
Income tax expense	(30,783)	(31,784)
PAT	80,470	58,832
Other comprehensive income:		
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(1,368)	10,483
Total comprehensive income for the period	79,102	69,315
PAT attributable to:		
Owners of the parent	60,342	44,497
Non-controlling interests	20,128	14,335
	80,470	58,832
Total comprehensive income attributable to:		
Owners of the parent	58,974	54,980
Non-controlling interests	20,128	14,335
	79,102	**69,315**
EBITDA(1)	272,220	287,155
Gross profit margin(2) (%)	28.6%	27.9%
EBITDA margin(3) (%)	42.2%	45.7%
PBT margin(4) (%)	17.3%	14.4%

	Six months ended 30 June (Audited)	
	2014	2015
	(RM'000)	
PAT margin[(5)] (%)	12.5%	9.4%
EPS (RM)		
- based on existing issued share capital [(6)]	0.11	0.08
- based on enlarged share capital [(7)]	0.06	0.05

Notes:

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

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

(3) *Computed based on EBITDA divided by total revenue.*

(4) *Computed based on PBT divided by total revenue.*

(5) *Computed based on PAT divided by total revenue.*

(6) *Computed based on our existing share capital of approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(7) *Computed based on our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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10.1.2 Historical combined statements of financial position

	As at 31 December (Audited)		
	2012	2013	2014
		(RM'000)	
Non-current assets			
Property, plant and equipment	597,691	595,930	580,717
Service concession assets	510,857	255,428	-
Intangibles	298,216	300,794	299,641
Finance lease receivables	699,831	667,038	631,700
Deferred tax assets	357,430	322,256	286,855
Investment in a joint venture	98,895	107,909	123,154
Trade and other receivables	70,546	72,453	74,731
	2,633,466	2,321,808	1,996,798
Current assets			
Finance lease receivables	30,430	32,793	35,338
Trade and other receivables	244,545	270,335	237,820
Inventories	58,578	67,505	73,621
Tax recoverable	1,905	1,435	1,268
Other current assets	7,536	9,024	16,479
Other financial assets	43,520	44,322	23,809
Deposits, cash and bank balances	377,282	395,671	472,726
	763,796	821,085	861,061
Total assets	3,397,262	3,142,893	2,857,859
Current liabilities			
Retirement benefit obligations	4,664	6,214	8,176
Finance lease payables	505	931	1,183
Short term borrowings	63,008	73,426	83,870
Zakat	4,335	3,947	7,942
Trade and other payables	340,438	345,103	507,507
Other current liability	2,427	3,482	8,295
Service concession obligations	221,534	324,349	-
Tax payable	1,052	2,193	2,112
	637,963	759,645	619,085

	As at 31 December (Audited)		
	2012	2013	2014
		(RM'000)	
Net current assets	125,833	61,440	241,976
Non-current liabilities			
Retirement benefit obligations	76,983	79,343	83,450
Finance lease payables	935	2,956	3,318
Long term borrowings	1,050,530	983,502	899,939
Trade and other payables	569	7,187	6,903
Service concession obligations	324,349	-	-
Consumer deposits	141,485	149,356	159,464
Deferred tax liabilities	32,270	39,999	48,974
	1,627,121	1,262,343	1,202,048
Total liabilities	2,265,084	2,021,988	1,821,133
Net assets	1,132,178	1,120,905	1,036,726
Equity attributable to owners of the parent			
Equity contribution and other reserves	741,555	892,804	819,293
Non-controlling interests	390,623	228,101	217,433
Total equity	1,132,178	1,120,905	1,036,726
Total equity and liabilities	3,397,262	3,142,893	2,857,859
NA[(1)]	741,555	892,804	819,293
NA per Share (RM)[(2)]	1.31	1.58	1.45

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 approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

	As at 31 December (Audited) 2014	As at 30 June (Audited) 2015
	(RM'000)	
Non-current assets		
Property, plant and equipment	580,717	567,940
Service concession assets	-	757,092
Intangibles	299,641	298,516
Finance lease receivables	631,700	613,015
Deferred tax assets	286,855	263,147
Investment in a joint venture	123,154	137,763
Trade and other receivables	74,731	73,011
	1,996,798	2,710,484
Current assets		
Finance lease receivables	35,338	36,684
Trade and other receivables	237,820	273,365
Inventories	73,621	80,043
Tax recoverable	1,268	987
Other current assets	16,479	23,979
Other financial assets	23,809	29,987
Deposits, cash and bank balances	472,726	373,519
	861,061	818,564
Total assets	2,857,859	3,529,048
Current liabilities		
Retirement benefit obligations	8,176	8,072
Finance lease payables	1,183	1,262
Short term borrowings	83,870	83,972
Zakat	7,942	8,442
Trade and other payables	507,507	441,987
Other current liability	8,295	2,558
Service concession obligations	-	345,455
Tax payable	2,112	2,748
	619,085	894,496
Net current assets/(liabilities)	241,976	(75,932)
Non-current liabilities		
Retirement benefit obligations	83,450	84,729
Finance lease payables	3,318	3,022
Long term borrowings	899,939	814,585
Trade and other payables	6,903	5,841
Service concession obligations	-	477,330
Consumer deposits	159,464	164,668
Deferred tax liabilities	48,974	51,631
	1,202,048	1,601,806

	As at 31 December (Audited) 2014	As at 30 June (Audited) 2015
	(RM'000)	
Total liabilities	1,821,133	2,496,302
Net assets	1,036,726	1,032,746
Equity attributable to owners of the parent		
Equity contribution and other reserves	819,293	822,173
Non-controlling interests	217,433	210,573
Total equity	1,036,726	1,032,746
Total equity and liabilities	2,857,859	3,529,048
NA(1)	819,293	822,173
NA per Share (RM)(2)	1.45	1.45

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 approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

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10.1.3 Historical combined statements of cash flows

	Year ended 31 December (Audited)		
	2012	2013	2014
		(RM'000)	
Cash flows from operating activities			
Profit before taxation	221,394	181,821	189,808
Adjustments for:			
Depreciation of property, plant and equipment	36,227	46,229	45,275
Net gain on disposal of property, plant and equipment	(359)	(72)	(849)
Property, plant and equipment written off	47	3,130	7
Amortisation of service concession asset	180,467	255,429	255,428
Amortisation of software	1,351	2,125	2,359
Share of profit of a joint venture	(8,740)	(1,609)	(9,088)
Finance Income – other liability at amortised cost	-	(1,451)	-
Provision for retirement benefit plan	8,783	9,156	10,910
Net bad debts written-off	451	-	3
Impairment of inventories	698	-	-
Write off of accrued tariff receivable from Federal Government	8,571	-	-
Zakat	1,961	2,197	4,874
Net unrealised foreign exchange (gain)/loss	(216)	490	-
Bad debts recovered	(196)	(49)	(106)
Allowance for impairments	1,605	1,425	1,302
Provision for liquidated ascertained damages	104	92	858
Interest income	(65,751)	(65,162)	(62,987)
Interest expense	85,473	99,936	77,869
Operating profit before working capital changes	471,870	533,687	515,633
Receivables	47,918	(29,165)	29,100
Payables	(88,021)	17,222	57,518
Inventories	(7,383)	(8,927)	(6,116)
Finance lease receivables	84,168	84,168	84,168
Other current asset	(1,085)	(1,488)	(7,455)
Cash generated from operations	507,467	595,497	672,878
Retirement benefits plan paid	(3,325)	(3,809)	(4,841)
Zakat paid	(1,817)	(2,585)	(879)
Tax paid	(6,301)	(5,772)	(10,905)
Repayments of lease rental payable to PAAB	(176,040)	(241,844)	(216,000)

	Year ended 31 December		
	(Audited)		
	2012	2013	2014
		(RM'000)	
Net cash generated from operating activities	319,984	341,487	440,253
Cash flows from investing activities			
Purchase of property, plant and equipment	(39,797)	(44,432)	(29,124)
Proceeds from disposal of property, plant and equipment	395	140	896
(Disposal)/investment in Islamic managed funds	(43,520)	(802)	20,513
Purchase of software	(5,850)	(4,703)	(1,206)
Issue of shares to non-controlling interests	100	-	-
Interest received	9,821	11,424	11,550
Net cash (used in)/generated from investing activities	(78,851)	(38,373)	2,629
Cash flows from financing activities			
Redemption of 90,000,000 Redeemable Convertible Non-Cumulative Preference Shares ("RCNCPS")	-	-	(90,000)
Withdrawal/(placement) of fixed deposits with banking facilities	27	(18,922)	4,293
Finance lease principal repayments	(437)	(787)	(1,023)
Repayment of borrowings	(56,500)	(64,986)	(75,000)
Dividends paid	(80,950)	(150,500)	(132,449)
Interest paid	(76,879)	(68,452)	(67,355)
Net cash used in financing activities	(214,739)	(303,647)	(361,534)
Net increase/(decrease) in cash and cash equivalents	**26,394**	**(533)**	**81,348**
Cash and cash equivalents at beginning of year	**149,751**	**176,145**	**175,612**
Cash and cash equivalents at end of year	**176,145**	**175,612**	**256,960**

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	Six months ended 30 June (Audited) 2014	2015
	(RM'000)	
Cash flows from operating activities		
Profit before taxation	111,253	90,616
Adjustments for:		
Depreciation of property, plant and equipment	21,719	23,054
Net gain on disposal of property, plant and equipment	(742)	(89)
Property, plant and equipment written off	-	3
Amortisation of service concession asset	127,714	151,419
Amortisation of software	1,062	1,182
Share of profit of a joint venture	(4,880)	(4,127)
Provision for retirement benefit plan	5,455	4,470
Zakat	500	840
Allowance for impairments	740	646
Provision for liquidated ascertained damages	-	2,014
Interest income	(31,589)	(31,383)
Interest expense	42,061	52,267
Operating profit before working capital changes	273,293	290,912
Receivables	32,282	(34,448)
Payables	(3,019)	(77,044)
Inventories	(4,505)	(6,422)
Finance lease receivables	42,084	42,084
Other current asset	(7,758)	(7,500)
Cash generated from operations	332,377	207,582
Retirement benefits plan paid	(1,207)	(3,295)
Zakat paid	-	(340)
Tax paid	(2,387)	(4,502)
Repayments of lease rental payable to PAAB	(104,670)	(104,670)
Net cash generated from operating activities	224,113	94,775
Cash flows from Investing activities		
Purchase of property, plant and equipment	(11,558)	(9,948)
Proceeds from disposal of property, plant and equipment	742	147
Disposal/(investment) in Islamic managed funds	10,944	(6,178)
Purchase of software	-	(57)
Interest received	5,463	6,615
Net cash generated from/(used in) investing activities	5,591	(9,421)
Cash flows from financing activities		
Redemption of 90,000,000 Redeemable Convertible Non-Cumulative Preference Shares ("RCNCPS")	(90,000)	-
Withdrawal of fixed deposits with banking facilities	39,388	26,532
Finance lease principal repayments	(523)	(613)
Repayment of borrowings	(75,000)	(85,000)
Dividends paid	(61,200)	(65,000)
Interest paid	(29,318)	(34,043)
Drawdown of short term borrowings	1,218	95

10. FINANCIAL INFORMATION *(cont'd)*

	Six months ended 30 June (Audited)	
	2014	2015
	(RM'000)	
Net cash used in financing activities	(215,435)	(158,029)
Net increase/(decrease) in cash and cash equivalents	14,269	(72,675)
Cash and cash equivalents at beginning of period	175,612	256,960
Cash and cash equivalents at end of period	**189,881**	**184,285**

Since 30 June 2015 up to the LPD, there has been no significant changes in our operations that may have a material effect on our financial position and results of operations.

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

The following discussion and analysis of our combined financial information with respect to the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 are based on, and should be read in conjunction with, our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 and related notes included in the Accountant's Report in Section 11.2 of this Prospectus.

The Combined Financial Statements are the responsibility of the Directors of Ranhill and have been prepared solely for the Offering and for no other purpose.

The Combined Financial Statements have been prepared from the individual financial statements of the Identified Entities in accordance with MFRS and also comply with International Financial Reporting Standards.

The Combined Financial Statements have been prepared as if the Identified Entities have operated as a single economic entity throughout the financial periods ended 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 and have been prepared from the books and records maintained by each entity. The financial information as presented in the Combined Financial Statements may not be the same as the consolidated financial statements of the Group post its listing and Offering. Further, such information does not purport to predict the Group's financial position, results and cash flows.

10.2.1 Introduction

We are a Malaysian conglomerate with interests in two main businesses: power and environment. In our power business, we provide power generation. In our environment business, we provide water supply services, operate water and wastewater treatment plants, and provide specialised services in the management and optimisation of water utility assets. We conduct our operations and provide our services primarily in Malaysia, and our international operations are centered in Asian markets such as China and Thailand.

In our power business, we own and operate two 190 MW CCGT power plants in Sabah, Malaysia through 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. We provide O&M services to our RPI and RPII power plants through RPOM and RPOMII, respectively.

In our environment business, we have been granted an exclusive licence (on a 3-year term, renewable every three years under the terms stipulated in the Water Services Industry Act and the Water Services Industry (Licensing) Regulations 2007, which includes compliance by SAJH with the applicable KPIs) 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 an estimated population of 3.5 million people as at 2014 *(Source: Department of Statistics, Malaysia)*. We have been providing these services since March 2000, and as at 30 November 2015, we had 1,081,399 customers in Johor, of which 935,949 were residential customers, 143,026 were trade and industrial customers and 2,424 were institutional customers, such as government office buildings, army camps, government hospitals, prison complexes and statutory governmental authorities. Outside of Malaysia, we have 15 water and wastewater concessions, on a BOT, BTO or TOT basis, in relation to water treatment plants and wastewater treatment plants, with an aggregate treatment capacity of 362.0 MLD. In addition, through our joint venture, Yichun Pinang, we also operate a potable water treatment plant in China with a treatment capacity of 50.0 MLD.

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

	Year ended 31 December		
	2012	2013	2014
		(RM in millions)	
Power	355.7	331.6	360.8
Environment	803.2	867.5	933.5
Total	**1,158.9**	**1,199.1**	**1,294.3**

	Six months ended 30 June	
	2014	2015
	(RM in millions)	
Power	190.0	142.8
Environment	455.4	485.5
Total	**645.4**	**628.3**

Our PAT was RM160.4 million, RM131.5 million and RM134.4 million for the years ended 31 December 2012, 2013 and 2014, respectively. Our PAT was RM80.5 million and RM58.8 million for the six months ended 30 June 2014 and 2015, respectively.

10.2.2 Basis of presentation of historical combined financial information

The Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 included in the Accountants' Report in Section 11.2 of this Prospectus have been prepared from the individual financial statements of the Identified Entities for the financial periods under review, of which give a true and fair view of the combined financial position as of 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, and of the financial performance and cash flows for the financial years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 in accordance with MFRS and International Financial Reporting Standards. The Combined Financial Statements have been prepared as if the Identified Entities had operated together as a single economic entity throughout the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015. 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 2.2 to the Accountants' Report set out in Section 11.2 of this Prospectus.

10.2.3 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) 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 will 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, and consequently the gross margin of our power business, did not increase proportionately. The actual gross margin of our power business and the adjusted gross margin of our power business on assumption that all of the capacity payments from the RPII power plant were recorded as revenue, for illustration purposes only, are as follows for the periods indicated:

	Actual gross margin[1]	Adjusted gross margin[2]
Year ended 31 December 2012	32.7%	41.9%
Year ended 31 December 2013	33.7%	42.9%
Year ended 31 December 2014	31.8%	40.3%
Six months ended 30 June 2014	32.1%	40.2%
Six months ended 30 June 2015	31.1%	41.3%

Notes:

(1) *Calculated by dividing the actual gross profit of our power business by the actual total revenue of our power business, each for the applicable periods.*

(2) *Calculated by dividing the adjusted gross profit of our power business (being the actual gross profit of our power business adjusted to reflect all capacity payments from the RPII power plant as revenue) by the adjusted total revenue of our power business (being the actual total revenue of our power business adjusted to reflect all capacity payments from the RPII power plant as revenue), each for the applicable periods.*

(ii) Environment business

(a) Effects of water tariff rate increases

The revenue of our water supply 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 water tariff rates have not changed since 1 November 2010 up to 31 July 2015, and, accordingly changes in water tariff rates have not had a significant impact on our results of operations during the period between that date and 30 June 2015. In December 2013, we submitted to SPAN a business plan for the third operating period from 1 January 2015 to 31 December 2017, which includes a request for an increase in our water tariff rates. SPAN approved the business plan in May 2015 and the increased water tariff rates took effect on 1 August 2015. If any of our future water tariff 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.

The table below sets forth the water tariff rates that have been in effect in the State of Johor since 1 November 2010 to 31 July 2015.

Customers	**Consumption band per month (m^3)**	**Tariff rate (RM/m^3)**
Domestic (minimum RM5.00/month)	0-20	0.60
	>20-35	1.65
	>35	2.96
Trade and industrial (minimum RM25.00/month)	0-35	2.60
	>35	2.96
Government (minimum RM25.00/month)	Flat rate	2.80
Ships (minimum RM30.00/month)	Flat rate	7.00
Estates (minimum RM10.00/month)	Flat rate	1.15
Condominiums / Apartments / Flats (minimum RM15.00/month)	Flat rate	1.35

The table below sets forth the water tariff rates that have been in effect in the State of Johor since 1 August 2015.

Customers	Consumption band per month (m^3)	Tariff rate (RM/m^3)
Domestic (minimum RM7.00/month)	0-20	0.80
	>20-35	2.00
	>35	3.00
Bulk domestic (minimum RM16.00/month)	Flat rate	1.60
Non-domestic (minimum RM30.00/month)	0-35	2.80
	>35	3.30
Approved religious or welfare institution (minimum RM7.00/month)	Flat rate	1.60
Shipping (minimum RM50.00/month)	Flat rate	7.00
Water processing industry (minimum RM50.00/month)	Flat rate	7.00

(b) Variability of lease payments due to PAAB

Our payments due to PAAB for the lease of water infrastructure assets in Johor are the single largest component of the cost of sales for our environment business. Pursuant to the Facility Agreement relating to the lease of those assets, the level of lease payments due to PAAB is determined by applying a formula that is based on the total investment outlay by PAAB in the water assets and an annual charge rate of 6.0%, escalating at 2.5% per annum for 30 years. However, for the first operating period, which was effective from 1 July 2009 to 30 June 2012, the lease payments to PAAB (computed based on an annual charge rate of 6.0%, escalating at 2.5% per annum) were discounted by an aggregate of RM422.2 million to enable us to maintain a reasonable return at an average profit after tax margin of 9% in our environment business as provided for in the Master Agreement. Subsequent to the first operating period, 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. From 1 July 2012 up to the LPD, PAAB has not granted a discount and our lease payments to PAAB have been determined based on a reduced annual charge rate of 5.0% and an escalation rate of 2.0% per annum, as agreed-in-principle between SPAN, SAJH and PAAB during meetings held on 22 and 23 March 2012 and subsequently confirmed in a PAAB letter dated 27 August 2013 and a Ministry of Finance letter dated 9 March 2015. This reduced annual charge and the reduced escalation rate, which was determined to enable us to maintain relatively constant margins in our environment business, are still subject to the approval of PAAB's board of directors and formalisation through the execution of a supplementary facility agreement. However, since 1 July 2012, our lease obligations due to PAAB have been computed based on the reduced annual charge rate of 5.0% and escalation rate 2.0% per annum without objection from PAAB. The annual charge rate is the lease rental rate applied on PAAB's total investment outlay, while the escalation rate is the annual incremental rate compounded on the lease rental for the previous year to allow PAAB to earn an escalated lease rental for the water assets leased to us.

In order for us to maintain a reasonable return as provided for in the Master Agreement, we may request for a water tariff rate increase from time to time depending on changes in the water industry and our costs. We expect that if SPAN does not approve our request for a water tariff rate increase in full or in a timely manner, SPAN will require PAAB to agree to a reduction in the level of lease payments that will enable us to achieve a reasonable return as may be approved by the Government. Such reduction in the level of lease payments may include approval by the PAAB board and formalisation of the reduced annual charge rate of 5.0% and escalation rate of 2.0% per annum. This expectation is in accordance with the Master Agreement, which obligates the Government to assist SAJH in the manner determined by the Government to recover SAJH's loss in its profit margin or the actual increase in costs due to (a) failure by the Government to increase the water tariff as projected in SAJH's business plan approved by SPAN, subject to SAJH complying with the agreed KPIs or (b) any increase in the unit price of electricity exceeding 15% on a year to year basis. If our requested water tariff rate increases or an offsetting reduction either in the amount of the lease payments due to PAAB or in the amount of other expenses is not approved, or there is delay in such approval, our cash flows and profitability would be adversely affected. We would also be unable to make timely lease payments to PAAB that we expect would result in PAAB temporarily postponing or reducing its investment in water assets in the State of Johor, which in turn may affect our service to customers in the State of Johor. If such events occur, there would be a material adverse effect on our financial condition and results of operations. However, we believe such adverse effects would be substantially mitigated upon the application of the Government's assistance pursuant to the Master Agreement.

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(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 three 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 contributions from water concession assets outside Malaysia

Our overseas environment business consisting of our water concession assets outside Malaysia are held through our joint venture, RWT (Cayman), in which we own a 52.1% equity interest, and are reflected in our share of profit of a joint venture using the equity method of accounting as discussed in Section 10.2.5(i)(k) below.

We intend to expand the operations of our environment business regionally. Accordingly, we expect the contributions from our water concession assets outside Malaysia to increase going forward, and as a result, the reported results of our overseas environment business will be increasingly affected by exchange rate fluctuations between the RM and other currencies, such as the RMB and the THB.

(iii) Other factors

We were part of the RB Group prior to the Internal Reorganisation and part of the RERB Group after the completion of the Internal Reorganisation II prior to the Pre-Offering Reorganisation.

(a) Corporate expenses

As the holding companies of the Identified Entities prior to the Internal Reorganisation, the Internal Reorganisation II and the Pre-Offering Reorganisation, RB, RERB and RGSB bore certain corporate expenses in the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015. Pursuant to the Internal Reorganisation, the Internal Reorganisation II and the Pre-Offering Reorganisation, our Group has been formed, and, as the holding company of our Group, our Company is expected to bear corporate expenses consisting principally of staff-related costs and rental costs following the Pre-Offering Reorganisation.

As these expenses were not borne by the Identified Entities prior to the Pre-Offering Reorganisation, they do not appear in our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 presented elsewhere in this Prospectus. For further information on these corporate expenses, refer to Section 10.3.1(i)(a)(2) of this Prospectus.

(b) Sukuk-related expenses

In the year ended 31 December 2012, RGSB charged to RB the finance costs relating to the Sukuk issued by RGSB in June 2011. RB bore the finance costs relating to the Sukuk because substantially all the proceeds received by RGSB from the Sukuk issuance was on-lent to RB. As part of the Internal Reorganisation that was completed in January 2013, the amount RB owed to RGSB under these on-lending arrangements was set-off (as described in Section 6.1.2(i) of this Prospectus) and RGSB ceased charging the Sukuk finance costs to RB thereafter. Following the Transfer of Sukuk on the completion of the Pre-Offering Reorganisation, we will bear the finance costs relating to the Sukuk. As these finance costs were not borne by the Identified Entities prior to the Pre-Offering Reorganisation, they do not appear in our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 presented elsewhere in this Prospectus. For further information concerning the Sukuk, refer to Section 10.3.1(i)(a)(1) of this Prospectus.

10.2.4 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

As at 31 December 2014, 2013 and 2012, our property, plant and equipment amounted to RM580.7 million, RM595.9 million and RM597.7 million, respectively, representing 20.3%, 19.0% and 17.6%, respectively, of our total assets at those dates. As at 30 June 2015, our property, plant and equipment amounted to RM567.9 million, representing 16.1% of our total assets at that date. 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 an acceptable level of 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 13 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(ii) Finance lease accounting

We classify leases that transfer from us to the lessee substantially all of 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 2014, 2013 and 2012, we had finance lease receivables of RM667.0 million, RM699.8 million and RM730.3 million, respectively, relating primarily to the RPII power plant. As at 30 June 2015, we had finance lease receivables of RM649.7 million. For further information concerning our finance lease receivables, refer to Note 16 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(iii) Impairment of trade and other receivables

As at 31 December 2014, 2013 and 2012, our trade and other receivables amounted to RM312.6 million, RM342.8 million and RM315.1 million, respectively, accounting for 10.9%, 10.9% and 9.3% of our total assets at those dates. As at 30 June 2015, our trade and other receivables amounted to RM346.4 million, accounting for 9.8% of our total assets at that date. 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 19 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(iv) Impairment of intangible assets

Goodwill and service license 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 intangibles are disclosed in Note 15 to the Accountants' Report set forth in Section 11.2 of this Prospectus.

(v) Deferred tax assets

As at 31 December 2014, 2013 and 2012, our deferred tax assets amounted to RM286.9 million, RM322.3 million and RM357.4 million, respectively, accounting for 10.0%, 10.3% and 10.5%, respectively, of our total assets at those dates. As at 30 June 2015, our deferred tax assets amounted to RM263.1 million, accounting for 7.5% of our total assets at that date. Deferred tax assets are recognised for unabsorbed capital allowances, unutilised investment allowances, unutilised reinvestment allowances, infrastructure allowances, tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unabsorbed capital allowances, unutilised investment allowances, unutilised reinvestment allowances, infrastructure allowances and other deductible temporary differences 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 17 to the Accountants' Report set out in Section 11.2 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 12 to the Accountants' Report set out in Section 11.2 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 25 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(viii) Service concession assets

The service concession assets are determined based on the present value of the total estimated lease rental payable to PAAB and reflected under (i) cost of sales comprising amortisation costs of intangible assets and (ii) finance costs comprising unwinding of interest of the service concession obligations to PAAB. See Section 10.2.3(ii)(b) of this Prospectus for information on the lease payments to PAAB and the applicable annual and escalation rates. Any rate increases results in an increase in the lease rental payable to PAAB and consequently higher amortisation costs, which are reflected under cost of sales. In determining the appropriate discount rate to calculate the present value of the total estimated lease rental payable to PAAB, 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. For further information concerning our service concession assets, refer to Note 14 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(ix) Construction contracts

We recognise contract revenue by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured proportionately based on the contract costs incurred for the work performed as of the reporting date in relation to the estimated total contract costs. Significant assumptions are required to estimate the total contract cost and the recoverable variation works that will affect the stage of completion. In making these estimates, management has relied on past experiences and the work of specialists. For further information on the carrying amounts of assets and liabilities arising from construction contracts, refer to Note 22 to the Accountants' Report set out in Section 11.2 of this Prospectus.

(x) Provision for liquidated ascertained damages

We make provisions for liquidated ascertained damages ("**LAD**") in relation to expected LAD claims arising from sale and purchase agreements relating to projects we undertake in our environment business. Significant judgment is required in determining the amount of provision for LAD. We determine the amount of provision required based on past experience, industry norms and information based on continuous dialogues with affected customers.

10.2.5 Results of operations

(i) Overview

The following discussion of our results of operations with respect to the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 is based on, and should be read in conjunction with, our Combined Financial Statements and related notes included in this Prospectus.

Our businesses are as follows:

- 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).

Our overseas environment business consisting of our foreign water concession assets are held through our joint venture, RWT (Cayman), in which we own a 52.1% equity interest, and are reflected in our share of profit of a joint venture using the equity method of accounting as discussed in Section 10.2.5(i)(k) below. Accordingly, our combined revenue, cost of sales, gross profit and other components of our combined statements of comprehensive income do not include the results of our overseas environment business.

The table below sets forth our share of profit of our joint venture, RWT (Cayman), for the periods indicated.

	(RM in millions)
Year ended 31 December 2012 (Audited)	8.7
Year ended 31 December 2013 (Audited)	1.6
Year ended 31 December 2014 (Audited)	9.1
Six months ended 30 June 2014 (Audited)	4.9
Six months ended 30 June 2015 (Audited)	4.1

Components of our results of operations are as follows.

(a) Revenue

Our revenue is primarily derived from two sources:

- 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, income from housing developers for the installation of water pipes and water meters to new housing areas, fees paid by our clients for services provided for the reduction of loss of water through leakages and faulty water distribution systems (NRW reduction activities) and fees from special works, mainly comprising reconnection fees, repair works and other related works provided as part of the distribution of treated water to customers.

For the years ended 31 December 2012, 2013 and 2014, our revenue was RM1,158.9 million, RM1,199.1 million and RM1,294.3 million, respectively. For the six months ended 30 June 2014 and 2015, our revenue was RM645.4 million and RM628.3 million, respectively.

The table below sets forth our revenue amounts by each of our businesses and as a percentage of total revenue for the periods indicated. The table below excludes the contributions from our environment business overseas because those businesses are held through our joint venture, being RWT (Cayman), in which we own a 52.1% equity interest, and are reflected in our share of profit of a joint venture using the equity method of accounting as discussed in Section 10.2.5(i)(k) below.

	Year ended 31 December					
	2012		2013		2014	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Power	355.7	30.7	331.6	27.7	360.8	27.9
Environment	803.2	69.3	867.5	72.3	933.5	72.1
Total	1,158.9	100.0	1,199.1	100.0	1,294.3	100.0

	Six months ended 30 June			
	2014		2015	
	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)			
Power	190.0	29.4	142.8	22.7
Environment	455.4	70.6	485.5	77.3
Total	645.4	100.0	628.3	100.0

All of our revenues for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 were generated from our customers in Malaysia.

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The following table sets forth our revenue by source and the relevant percentage of our total revenue for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Power						
Rental income from operating lease[1]	123.1	10.6	122.2	10.2	121.0	9.4
Sale of electricity[2]	232.6	20.1	209.4	17.5	239.8	18.5
	355.7	30.7	331.6	27.7	360.8	27.9
Environment						
Water revenue	749.4	64.7	789.4	65.8	835.3	64.6
Contribution by housing developers[3]	8.8	0.7	28.2	2.3	31.0	2.4
Special works[4]	5.6	0.5	5.9	0.5	9.4	0.7
Non- revenue water reduction fees[5]	39.4	3.4	44.0	3.7	56.0	4.3
Sale of Equipment	-	-	-	-	1.8	0.1
	803.2	69.3	867.5	72.3	933.5	72.1
	1,158.9	100.0	1,199.1	100.0	1,294.3	100.0

	Six months ended 30 June			
	2014		2015	
	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)			
Power				
Rental income from operating lease[1]	60.4	9.3	60.2	9.6
Sale of electricity[2]	129.6	20.1	82.6	13.1
	190.0	29.4	142.8	22.7
Environment				
Water revenue	409.5	63.4	433.0	68.9
Contribution by housing developers[3]	13.8	2.1	23.2	3.7
Special works[4]	4.5	0.7	4.6	0.7
Non revenue water reduction fees[5]	27.6	4.3	23.8	3.8
Sale of equipment	-	-	0.9	0.2
	455.4	70.5	485.5	77.3
	645.4	100.0	628.3	100.0

Notes:

(1) *Relates to capacity payments.*

(2) *Relates to energy payments.*

(3) *Relates to income from housing developers for the installation of water pipes and water meters to new housing areas.*

(4) *Mainly comprises reconnection fees, repair works and other related works charged as part of the distribution of treated water to consumers.*

(5) *Relates to revenue from services provided for the reduction of loss of water through leakages and faulty water distribution systems.*

(b) Cost of sales

Our cost of sales consists primarily of the following items:

- 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 years ended 31 December 2012, 2013 and 2014, our cost of sales was RM798.6 million, RM862.8 million and RM949.4 million, respectively. For the six months ended 30 June 2014 and 2015, our cost of sales was RM460.8 million and RM453.1 million, respectively.

The table below sets forth our cost of sales by each business segment and as a percentage of our total cost of sales for the periods indicated. The table below excludes the cost of sales from our environment business overseas because those businesses are held through our joint venture, being RWT (Cayman), in which we own a 52.1% equity interest, and are reflected in our share of profit of a joint venture using the equity method of accounting as discussed in Section 10.2.5(i)(k) below.

	Year ended 31 December					
	2012		**2013**		**2014**	
	(RM)	**(%)**	**(RM)**	**(%)**	**(RM)**	**(%)**
	(in millions, except percentages)					
Power	239.4	30.0	220.0	25.5	245.9	25.9
Environment	559.2	70.0	642.8	74.5	703.5	74.1
Total	798.6	100.0	862.8	100.0	949.4	100.0

	Six months ended 30 June			
	2014		2015	
	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)			
Power	129.1	28.0	98.3	21.7
Environment	331.7	72.0	354.8	78.3
Total	460.8	100.0	453.1	100.0

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

	Year ended 31 December		
	2012	2013	2014
	(RM in millions)		
Power and its related costs			
Power project cost	222.4	195.6	219.0
Related cost:			
Depreciation	10.2	16.4	16.7
Staff cost	6.8	8.0	10.2
	239.4	220.0	245.9
Water and its related cost			
Water project cost	427.6	482.4	521.6
Related cost:			
Depreciation	14.5	16.8	16.7
Staff cost	72.4	83.1	89.4
Operation and maintenance cost	44.7	60.5	74.5
Cost of equipment	-	-	1.3
	559.2	642.8	703.5
Total	798.6	862.8	949.4

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	Six months ended 30 June	
	2014	2015
	(RM in millions)	
Power and its related costs		
Power project cost	116.5	84.2
Related cost:		
Depreciation	8.4	8.4
Staff cost	4.2	5.7
	129.1	98.3
Water and its related cost		
Water project cost	248.9	280.2
Related cost:		
Depreciation	7.2	8.3
Staff cost	41.0	32.5
Operation and maintenance costs	34.6	33.6
Cost of equipment	-	0.2
	331.7	354.8
Total	460.8	453.1

(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 31 December					
	2012		2013		2014	
	(RM)	(%)	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)					
Power	116.3	32.3	111.6	33.2	114.9	33.3
Environment	244.0	67.7	224.7	66.8	230.0	66.7
Total	360.3	100.0	336.3	100.0	344.9	100.0

	Six months ended 30 June			
	2014		2015	
	(RM)	(%)	(RM)	(%)
	(in millions, except percentages)			
Power	60.9	33.0	44.4	25.3
Environment	123.7	67.0	130.8	74.7
Total	184.6	100.0	175.2	100.0

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

	Year ended 31 December		
	2012	2013	2014
		(%)	
Power	32.7	33.7	31.8
Environment	30.4	25.9	24.6
Group	31.1	28.0	26.6

	Six months ended 30 June	
	2014	2015
	(%)	
Power	32.1	31.1
Environment	27.2	26.9
Group	28.6	27.9

The following table sets forth our gross margin for our water supply business in the State of Johor and our NRW business for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		(%)	
Water supply(1)	30.8	26.2	25.3
NRW(1)	28.8	16.4	22.4
Environment(2)	30.4	25.9	24.6

	Six months ended 30 June	
	2014	2015
	(%)	
Water supply(1)	27.1	27.3
NRW(1)	28.5	21.4
Environment(2)	27.2	26.9

Notes:

(1) Represents the gross margin of the respective business before intra-group eliminations which mainly relates to elimination of NRW project fees charged by RWSB to SAJH.

(2) Represents the overall gross margin of the environment business as a whole after elimination of intra-group transactions highlighted in Note (1) above.

For further information on our gross profit and gross margin, refer to Sections 10.2.5(ii)(c), 10.2.5(iii)(c) and 10.2.5(iv)(c) of this Prospectus.

(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(i)(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 years ended 31 December 2012, 2013 and 2014, our interest income was RM65.8 million, RM65.1 million and RM63.0 million, respectively. For the six months ended 30 June 2014 and 2015, our interest income was RM31.6 million and RM31.4 million, respectively.

(e) Other income

Our other income consists primarily of gain on disposal of fixed assets, rental income, unrealised foreign exchange gains and LAD claims arising from delays in the completion of projects in our water supply business that were charged to the project contractors. For the years ended 31 December 2012, 2013 and 2014, our other income was RM4.6 million, RM40.2 million and RM6.4 million, respectively. For the six months ended 30 June 2014 and 2015, our other income was RM3.0 million and RM3.8 million, respectively.

(f) Administrative expenses

Our administrative expenses consist primarily of employee benefits expenses (which include 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 years ended 31 December 2012, 2013 and 2014, our administrative expenses were RM128.0 million, RM155.6 million and RM147.0 million, respectively. For the six months ended 30 June 2014 and 2015, our administrative expenses were RM68.6 million and RM69.4 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 years ended 31 December 2012, 2013 and 2014, our other operating expenses were RM1.7 million, RM2.4 million and RM2.5 million, respectively. For the six months ended 30 June 2014 and 2015, our other operating expenses were RM1.3 million and RM0.8 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 years ended 31 December 2012, 2013 and 2014, our tendering and marketing expenses were RM1.0 million, RM1.3 million and RM1.3 million, respectively. For the six months ended 30 June 2014 and 2015, our tendering and marketing expenses were RM0.4 million and RM0.6 million, respectively.

(i) Finance costs

Our finance costs relate primarily to finance costs of the IMTN, Musharakah medium term notes and the unwinding of interest of the service concession obligations to PAAB. For the years ended 31 December 2012, 2013 and 2014, our finance costs were RM85.4 million, RM99.9 million and RM77.9 million, respectively. For the six months ended 30 June 2014 and 2015, our finance costs were RM42.1 million and RM52.3 million, respectively.

(j) Zakat

Zakat is a payment made by us on our zakat base, which consist, of net current assets, adjusted for items that do not meet the conditions for zakat assets and liabilities. For the years ended 31 December 2012, 2013 and 2014, our zakat expenses were RM1.9 million, RM2.2 million and RM4.9 million, respectively. For the six months ended 30 June 2014 and 2015, our zakat payments were RM0.5 million and RM0.8 million, respectively.

(k) Share of profit of a joint venture

Our share of profit of a joint venture reflects the results of RWT (Cayman), in which we own a 52.1% equity interest, using the equity method of accounting. Under MFRS 11 (Joint Arrangements), joint control exists when there is a contractually agreed sharing of control, evidenced by the requirement of unanimous consent by the parties sharing control with respect to relevant activities. These relevant activities pertain to operational and financial activities that significantly affect the returns of the joint arrangement. Based on the RWT (Cayman) shareholders agreement, unanimous consent is required from RUSB and Robinsons (or their respective appointed directors, as the case may be) for all shareholder reserve matters and board reserve matters, as defined in the shareholders' agreement. These matters are considered to be relevant activities under MFRS 11. Accordingly, notwithstanding our 52.1% equity interest in RWT (Cayman), we are deemed to have joint control over RWT (Cayman) and our interests is accounted for as a joint venture in accordance with MFRS 11 (Joint Arrangements). For further information on the accounting treatment of RWT (Cayman), see Note 18 of the Accountants' Report set out in Section 11.2 of this Prospectus.

For each of the years ended 31 December 2012, 2013 and 2014, our share of profit of a joint venture was RM8.7 million, RM1.6 million and RM9.1 million, respectively. For the six months ended 30 June 2014 and 2015, our share of profit of a joint venture was RM4.9 million and RM4.1 million, 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) Six months ended 30 June 2015 compared to six months ended 30 June 2014

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:

	Six months ended 30 June				Change
	2014		2015		
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	645.4	100.0	628.3	100.0	(2.6)
Cost of sales	(460.8)	(71.4)	(453.1)	(72.1)	(1.7)
Gross profit	184.6	28.6	175.2	27.9	(5.1)
Other items of income					
Interest income	31.6	4.9	31.4	5.0	(0.6)
Other income	3.0	0.5	3.8	0.6	26.7
Other items of expense					
Administrative expenses	(68.6)	(10.6)	(69.4)	(11.0)	1.2
Other operating expenses	(1.3)	(0.2)	(0.8)	(0.1)	(38.5)
Tendering and marketing expenses	(0.4)	(0.1)	(0.6)	(0.1)	50.0
Finance costs	(42.1)	(6.5)	(52.3)	(8.3)	24.2
Zakat	(0.5)	(0.1)	(0.8)	(0.1)	60.0
Share of profit of a joint venture	4.9	0.8	4.1	0.7	(16.3)
PBT	111.2	17.3	90.6	14.4	(18.5)
Income tax expense	(30.7)	(4.8)	(31.8)	(5.1)	3.6
PAT	**80.5**	**12.5**	**58.8**	**9.4**	**(27.0)**

(a) Revenue

Our revenue was RM628.3 million in the six months ended 30 June 2015, 2.6% lower than the RM645.4 million recorded for the six months ended 30 June 2014. The decrease was due to lower revenue in our power business, which was partly offset by higher revenue in our environment business.

Power
Our power business accounted for 22.7% of our revenue in the six months ended 30 June 2015, compared to 29.4% in the six months ended 30 June 2014. Revenue for our power business was RM142.8 million in the six months ended 30 June 2015, 24.8% lower than the RM190.0 million recorded for the six months ended 30 June 2014. This decrease was primarily due to decreased energy payments resulting from lower electricity sales to Sabah Electricity resulting from excess generation capacity in Sabah as additional power plants became operational in 2015.

Environment
Our environment business accounted for 77.3% of our total revenue in the six months ended 30 June 2015, compared to 70.6% in the six months ended 30 June 2014. Revenue for our environment business was RM485.5 million in the six months ended 30 June 2015, 6.6% higher than the RM455.4 million recorded for the six months ended 30 June 2014. This increase was primarily due to an increase in the volume of water supplied to our customers in the State of Johor, in particular higher sales to trade and industrial customers, which pay higher tariffs than residential customers.

(b) Cost of sales

Our cost of sales for the six months ended 30 June 2015 was RM453.1 million, 1.7% lower than the RM460.8 million recorded for the six months ended 30 June 2014, due to lower cost of sales in our power business, which was partly offset by higher cost of sales in our environment business.

Power
Cost of sales for our power business was RM98.3 million in the six months ended 30 June 2015, accounting for 21.7% of our total cost of sales. Cost of sales for our power business decreased 23.9% in the six months ended 30 June 2015 from RM129.1 million in the six months ended 30 June 2014. This decrease primarily resulted from lower fuel costs due to lower power plant utilisation arising from lower power despatch by Sabah Electricity. This was partially offset by higher maintenance costs due to expenses related to scheduled major inspections on one of the gas turbines at the RPII power plant and a power plant software upgrade.

Environment
Cost of sales for our environment business was RM354.8 million in the six months ended 30 June 2015, accounting for 78.3% of our total cost of sales. Cost of sales for our environment business increased 7.0% in the six months ended 30 June 2015 from RM331.7 million in the six months ended 30 June 2014. This increase was primarily due to higher monthly amortisation costs resulting from higher lease payment obligations to PAAB and higher

cost of sales in line with the increase in sales volume. Lease payment obligations to PAAB for the third operating period, which commenced on 1 January 2015 and will end on 31 December 2017, is higher compared to the second operating period, which commenced on 1 July 2012 and ended on 31 December 2014, primarily due to the compounding effects of the 2% escalation rate on the existing service concession assets leased from PAAB. This resulted in higher capitalised service concession assets for the third operating period compared to the second operating period, thereby resulting in higher service concession assets monthly amortisation costs throughout the duration of the third operating period. See Sections 10.2.3(ii)(b) and 10.2.4(viii) of this Prospectus for information on the lease payments to PAAB, amortisation costs and the applicable annual and escalation rates.

(c) Gross profit and gross margin

Our gross profit for the six months ended 30 June 2015 decreased by 5.1% to RM175.2 million, compared to RM184.6 million for the six months ended 30 June 2014, as a result of the factors discussed above in Sections 10.2.5(ii)(a) and 10.2.5(ii)(b) of this Prospectus. Our gross margin decreased to 27.9% in the six months ended 30 June 2015, compared to 28.6% in the six months ended 30 June 2014.

<u>Power</u>
Gross profit for our power business decreased by 27.1% to RM44.4 million for the six months ended 30 June 2015, compared to RM60.9 million for the six months ended 30 June 2014. Our gross margin for our power business decreased to 31.1% for the six months ended 30 June 2015 compared to 32.1% in the six months ended 30 June 2014, primarily due to our cost of sales outpacing the increase in our revenues as discussed in Sections 10.2.5(ii)(a) and 10.2.5(ii)(b) above.

<u>Environment</u>
Gross profit for our environment business increased by 5.7% to RM130.8 million for the six months ended 30 June 2015, compared to RM123.7 million for the six months ended 30 June 2014. Our gross margin for our environment business decreased from 27.2% for the six months ended 30 June 2014 to 26.9% for the six months ended 30 June 2015. The decrease in the gross profit margin was mainly due to the increase in our cost of sales outpacing the increase in our revenues as discussed in Sections 10.2.5(ii)(a) and 10.2.5(ii)(b) above.

(d) Interest income

Our interest income decreased slightly to RM31.4 million in the six months ended 30 June 2015 from RM31.6 million in the six months ended 30 June 2014.

(e) Other income

Our other income increased by 26.7% to RM3.8 million in the six months ended 30 June 2015 from RM3.0 million in the six months ended 30 June 2014. This increase was primarily due to higher LAD claims arising from delays in the completion of projects in our water supply business that were charged to the project contractors.

(f) Administrative expenses

Our administrative expenses increased slightly to RM69.4 million in the six months ended 30 June 2015, compared to RM68.6 million in the six months ended 30 June 2014.

(g) Other operating expenses

Our other operating expenses decreased to RM0.8 million in the six months ended 30 June 2015, compared to RM1.3 million in the six months ended 30 June 2014.

(h) Tendering and marketing expenses

Our tendering and marketing expenses increased to RM0.6 million in the six months ended 30 June 2015, compared to RM0.4 million in the six months ended 30 June 2014.

(i) Finance costs

Our finance costs increased by 24.2% to RM52.3 million in the six months ended 30 June 2015 compared to RM42.1 million in the six months ended 30 June 2014, mainly as a result of higher unwinding interest related to service concession lease obligations to PAAB. Higher unwinding of interest was due to the higher service concession lease obligations to PAAB. This was partially offset by the decrease in finance costs of the IMTN as the outstanding principal amount of the loan was partially repaid during the period. For further information concerning finance costs, refer to Note 8 to the Accountants' Report set forth in Section 11.2 of this Prospectus.

(j) Zakat

Our zakat expenses increased to RM0.8 million in the six months ended 30 June 2015, compared to RM0.5 million in the six months ended 30 June 2014.

(k) Share of profit of a joint venture

Our share of profit of a joint venture, RWT (Cayman), decreased by 16.3% to RM4.1 million in the six months ended 30 June 2015 compared to RM4.9 million in the six months ended 30 June 2014. This decrease was primarily due to lower gross profits at RWT (Cayman), which were partially offset by higher other operating income.

The lower gross profits at RWT (Cayman) resulted primarily from lower revenue recognised from concession contract services, mainly due to decreased construction activity arising from our concession contracts as a result of capital constraints pending the completion of the Offering. This capital constraints delayed the commencement of construction of new projects, but no penalties or fines were imposed as a result of such delayed construction commencement. This decreased construction activity was the primary reason for a 37.3% decrease in the revenues of RWT (Cayman), from RM44.0 million in the six months ended 30 June 2014 to RM27.6 million in the six months ended 30 June 2015, and a 34.3% decrease in its cost of sales from RM30.0 million in the six months ended 30 June 2014 to RM19.7 million in the six months ended 30 June 2015. The gross profit of RWT (Cayman) for the six months ended 30 June 2015 decreased by 44.0% to RM7.9 million, compared to RM14.1 million for the six months ended 30 June 2014, as a result of the factors discussed above. RWT (Cayman)'s gross profit margin decreased to 28.6% in the six months ended 30 June 2015 compared to 31.9% in the six months ended 30 June 2014, mainly due to the decrease in the proportion of revenue derived from concession contract services, which typically generate higher margins than RWT (Cayman)'s other types of revenue. RWT (Cayman)'s lower gross profit in the six months ended 30 June 2015 was partially offset by higher other operating income, which significantly increased from RM0.5 million in the six months ended 30 June 2014 to RM5.0 million in the six months ended 30 June 2015 mainly due to the recognition of significantly higher unrealised foreign exchange gains during the period primarily due to the translation of RM-denominated amounts due to related parties to the functional currency of RWT (Cayman), the US dollar, which resulted in foreign exchange translation gains as the RM significantly weakened against the US dollar during the six months ended 30 June 2015. RWT (Cayman)'s profit before tax decreased by 14.5% from RM11.0 million in the six months ended 30 June 2014 to RM9.4 million in the six months ended 30 June 2015, primarily due to the factors discussed above.

(l) PBT

As a result of the factors discussed above, our PBT for the six months ended 30 June 2015 decreased by 18.5% to RM90.6 million, compared to RM111.2 million for the six months ended 30 June 2014. Our PBT margin decreased to 14.4% for the six months ended 30 June 2015, compared to 17.3% for the six months ended 30 June 2014, primarily because the decrease in our cost of sales was proportionally lower than the decrease in our revenue and higher finance costs.

(m) Income tax expense

We had an income tax expense of RM31.8 million in the six months ended 30 June 2015, as compared to RM30.8 million for the six months ended 30 June 2014, primarily due to higher deferred tax expense as a result of lower utilisation of unabsorbed capital allowances, which was partially offset by lower taxable income in line with decreased revenue.

For the six months ended 30 June 2015, the difference between our effective tax rate of 35.1% and the Malaysian statutory tax rate of 25% was primarily due to under provision of deferred tax in prior period of RM3.8 million, expenses not deductible for tax purposes of RM2.8 million and deferred tax asset not recognised of RM2.3 million and, which were partially offset by income not subject to tax of RM1.0 million. For the six months ended 30 June 2014, the difference between our 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 RM2.3 million and charges due to a change in tax rate of

RM1.2 million, which were partially offset by income not subject to tax of RM0.8 million.

(n) PAT

As a result of the factors discussed above, our PAT decreased by 27.0% to RM58.8 million for the six months ended 30 June 2015 from RM80.5 million for the six months ended 30 June 2014. Our PAT margin decreased to 9.4% for the six months ended 30 June 2015 from 12.5% for the six months ended 30 June 2014.

(iii) Year ended 31 December 2014 compared to year ended 31 December 2013

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 31 December				Change
	2013		2014		
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	1,199.1	100.0	1,294.3	100.0	7.9
Cost of sales	(862.8)	(72.0)	(949.4)	(73.4)	10.0
Gross profit	**336.3**	**28.0**	**344.9**	**26.6**	**2.6**
Other items of income					
Interest income	65.1	5.4	63.0	4.9	(3.2)
Other income	40.2	3.4	6.4	0.5	(84.1)
Other items of expense					
Administrative expenses	(155.6)	(13.0)	(147.0)	(11.4)	(5.5)
Other operating expenses	(2.4)	(0.2)	(2.5)	(0.2)	4.2
Tendering and marketing expenses	(1.3)	(0.1)	(1.3)	(0.1)	0
Finance costs	(99.9)	(8.3)	(77.9)	(6.0)	(22.0)
Zakat	(2.2)	(0.2)	(4.9)	(0.4)	122.7
Share of profit of a joint venture	1.6	0.1	9.1	0.7	468.8
PBT	**181.8**	**15.2**	**189.8**	**14.7**	**4.4**
Income tax expense	(50.3)	(4.2)	(55.4)	(4.3)	10.1
PAT	**131.5**	**11.0**	**134.4**	**10.4**	**2.2**

(a) Revenue

Our revenue was RM1,294.3 million in the year ended 31 December 2014, 7.9% higher than the RM1,199.1 million recorded for the year ended 31 December 2013. The increase was due to revenue growth in both of our businesses.

Power
Our power business accounted for 27.9% of our revenue in the year ended 31 December 2014, compared to 27.7% in the year ended 31 December 2013. Revenue for our power business was RM360.8 million in the year ended 31 December 2014, 8.8% higher than the RM331.6 million recorded for the year ended 31 December 2013. This increase was primarily due to higher capacity payments resulting from the absence of any equipment breakdowns and higher energy payments resulting from higher consumptions of diesel for power generation during the period, as compared to the year ended 31 December 2013, when our RPII power plant experienced equipment breakdowns that resulted in lower capacity and energy payments. The absence of such problems in the year ended 31 December 2014 enabled the power plants to maintain full dependable capacity and increased energy payments resulting from higher electricity sales to Sabah Electricity.

Environment
Our environment business accounted for 72.1% of our total revenue in the year ended 31 December 2014, compared to 72.3% in the year ended 31 December 2013. Revenue for our environment business was RM933.5 million in the year ended 31 December 2014, 7.6% higher than the RM867.5 million recorded for the year ended 31 December 2013. This increase was primarily due to (i) an increase in the volume of water supplied to our customers in the State of Johor, in particular higher sales to institutional and to trade and industrial customers, both of which pay higher tariffs than residential customers, (ii) higher revenue from our NRW business, and (iii) higher revenue from reconnection fees, repair works and other miscellaneous services provided to our customers in relation to our supply of treated water to our customers in the State of Johor. Sales to institutional and to trade and industrial customers increased in the year ended 31 December 2014, compared to the year ended 31 December 2013, mainly due to an increase in the number of customers and increased water consumption by some of our institutional and industrial customers.

(b) Cost of sales

Our cost of sales for the year ended 31 December 2014 was RM949.4 million, 10.0% higher than the RM862.8 million recorded for the year ended 31 December 2013, due to increased cost of sales in both of our businesses.

Power
Cost of sales for our power business was RM245.9 million in the year ended 31 December 2014, accounting for 25.9% of our total cost of sales. Cost of sales for our power business increased by 11.8% in the year ended 31 December 2014 from RM220.0 million in the year ended 31 December 2013. This increase primarily resulted from higher fuel costs due to higher power plant utilisation, as our RPII power plant operated more in the period due to the absence of any equipment breakdown that caused forced outages, as was the case in the comparative period.

Environment
Cost of sales for our environment business was RM703.5 million in the year ended 31 December 2014, accounting for 74.1% of our total

cost of sales. Cost of sales for our environment business increased by 9.4% in the year ended 31 December 2014 from RM642.8 million in the year ended 31 December 2013. This increase was primarily due to higher operation and maintenance costs and higher cost of sales in line with increased sales volume. Higher operation and maintenance costs mainly resulted from an 18% electricity tariff hike that took effect in January 2014, increased costs relating to reservoir and equipment maintenance and repairs, and the establishment of a new department that focuses on the maintenance of water treatment plants.

(c) Gross profit and gross margin

Our gross profit for the year ended 31 December 2014 increased by 2.6% to RM344.9 million, compared to RM336.3 million for the year ended 31 December 2013, as a result of the factors discussed above in Sections 10.2.5(iii)(a) and 10.2.5(iii)(b) of this Prospectus. Our gross margin decreased to 26.6% in the year ended 31 December 2014, compared to 28.0% in the year ended 31 December 2013.

Power
Gross profit for our power business increased by 3.0% to RM114.9 million for the year ended 31 December 2014, compared to RM111.6 million for the year ended 31 December 2013. Our gross margin for our power business decreased from 33.7% for the year ended 31 December 2013 to 31.8% for the year ended 31 December 2014, primarily due to increased fuel costs from higher fuel consumption. Since fuel costs are passed through, these amounts increase our revenue, which is the denominator for computing our gross profit margin, without a corresponding increase in our gross profit, which is the numerator.

Environment
Gross profit for our environment business increased by 2.4% to RM230.0 million for the year ended 31 December 2014, compared to RM224.7 million for the year ended 31 December 2013. Our gross margin for our environment business decreased from 25.9% for the year ended 31 December 2013 to 24.6% for the year ended 31 December 2014. The decrease in the gross profit margin was mainly due to the increase in our cost of sales outpacing the increase in our revenues as discussed in Sections 10.2.5(iii)(a) and 10.2.5(iii)(b) above.

(d) Interest income

Our interest income decreased to RM63.0 million in the year ended 31 December 2014 from RM65.1 million in the year ended 31 December 2013. This decrease was primarily attributable to lower finance lease income, which was partially offset by a slight increase in interest income from fixed deposits.

(e) Other income

Our other income decreased to RM6.4 million in the year ended 31 December 2014 from RM40.2 million in the year ended 31 December 2013. This decrease was primarily attributable to the insurance compensation of RM32.3 million relating to the equipment breakdown of the RPI and RPII power plants in 2013 and loss and damages incurred by our environment business arising from a 2006 flood that were recognised in the year ended 31 December 2013, while only RM0.8 million of insurance compensation was recognised in the year ended 31 December 2014.

(f) Administrative expenses

Our administrative expenses decreased by 5.5% to RM147.0 million in the year ended 31 December 2014 compared to RM155.6 million in the year ended 31 December 2013, mainly due to expenses relating to the repair and replacement of power plant equipment at RPI and RPII, which experienced equipment breakdowns during the year ended 31 December 2013, for which there was no comparable expense in the corresponding period in 2014. This was partially offset by higher administrative expenses in our environment business in the year ended 31 December 2014 compared to the prior period, mainly due to higher professional fees and costs relating to taking over the operations of those remaining water treatment plants that were previously operated by a bulk water supplier.

(g) Other operating expenses

Our other operating expenses increased slightly to RM2.5 million in the year ended 31 December 2014 as compared to RM2.4 million in the year ended 31 December 2013.

(h) Tendering and marketing expenses

Our tendering and marketing expenses were RM1.3 million in the year ended 31 December 2014 and RM1.3 million in the year ended 31 December 2013.

(i) Finance costs

Our finance costs decreased by 22.0% to RM77.9 million in the year ended 31 December 2014 compared to RM99.9 million in the year ended 31 December 2013, mainly as a result of changes in the net present value of the IMTN compared to the prior period as a result of revisions to the projected cashflows of the RPI and RPII power plants and lower unwinding interest in line with lower service concession lease obligations to PAAB. These were partially offset by an increase in Musharakah payments in the year ended 31 December 2014 compared to the prior period. For further information concerning finance costs, refer to Note 8 to the Accountants' Report set forth in Section 11.2 of this Prospectus.

(j) Zakat

Our zakat expenses increased to RM4.9 million in the year ended 31 December 2014, compared to RM2.2 million in the year ended 31 December 2013. This increase was mainly due to the increase in current assets that were not deductible for zakat computations and under-provision of zakat in 2011 and 2013.

(k) Share of profit of a joint venture

Our share of profit of a joint venture, RWT (Cayman), increased significantly to RM9.1 million in the year ended 31 December 2014 compared to RM1.6 million in the year ended 31 December 2013. This increase was due to increased profits at RWT (Cayman) primarily resulting from higher revenue recognised from concession contract services, mainly due to increased construction activity related to the BOT projects in Yihuang, Wanzai and Changfeng in China and Amata City in Thailand. This increased construction activity was the primary reason for the 61.0% increase in the revenues of RWT (Cayman), from RM55.4 million in the year ended 31 December 2013 to RM89.2 million in the year ended 31 December 2014, and a 43.3% increase in its cost of sales, from RM46.4 million in the year ended 31 December 2013 to RM66.5 million in the year ended 31 December 2014. The gross profit of RWT (Cayman) in the year ended 31 December 2014 increased significantly to RM22.7 million, compared to RM9.1 million in the year ended 31 December 2013, as a result of the factors discussed above. RWT (Cayman)'s gross margin increased to 25.4% in the year ended 31 December 2014, compared to 16.3% in the year ended 31 December 2013, primarily because revenue derived from concession contract services typically generate higher margins than the other types of revenue that RWT (Cayman) has. RWT (Cayman)'s profit before tax increased significantly from RM3.0 million in the year ended 31 December 2013 to RM21.9 million in the year ended 31 December 2014, mainly due to the factors discussed above.

(l) PBT

As a result of the factors discussed above, our PBT for the year ended 31 December 2014 increased by 4.4% to RM189.8 million, compared to RM181.8 million for the year ended 31 December 2013. Our PBT margin decreased to 14.7% for the year ended 31 December 2014, compared to 15.2% for the year ended 31 December 2013, primarily because the increase in our cost of sales was proportionally higher than the increase in our revenue and lower other income, which were partially offset by lower finance costs and increased share in the profits of our joint venture, RWT (Cayman).

(m) Income tax expense

We had an income tax expense of RM55.4 million in the year ended 31 December 2014, as compared to RM50.3 million for the year ended 31 December 2013, primarily due to higher taxable income in line with increased revenue and higher deferred tax expenses due to under-provision of deferred tax expenses in the prior year.

For the year ended 31 December 2014, the difference between our effective tax rate of 29.2% and the Malaysian statutory tax rate of 25% was primarily due to expenses not deductible for tax purposes of RM6.1 million and under-provision of deferred tax in prior years of RM2.1 million, which were partially offset by income not subject to tax of RM1.9 million and deferred tax not recognised of RM0.5 million. For the year ended 31 December 2013, the difference between our effective tax rate of 27.7% and the Malaysian statutory tax rate of 25% was primarily due to expenses not deductible for tax purposes of RM6.4 million and deferred tax assets not recognised of RM3.6 million, which were partially offset by over-provision of deferred tax in prior years of RM4.7 million and income not subject to tax of RM2.0 million.

(n) **PAT**

As a result of the factors discussed above, our PAT increased by 2.2% to RM134.4 million for the year ended 31 December 2014 from RM131.5 million for the year ended 31 December 2013. Our PAT margin decreased to 10.4% for the year ended 31 December 2014 from 11.0% for the year ended 31 December 2013.

(iv) **Year ended 31 December 2013 compared to year ended 31 December 2012**

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				Change
	2012		2013		
	(RM)	(%)	(RM)	(%)	(%)
	(in millions, except percentages)				
Revenue	1,158.9	100.0	1,199.1	100.0	3.5
Cost of sales	(798.6)	(68.9)	(862.8)	(72.0)	8.0
Gross profit	**360.3**	**31.1**	**336.3**	**28.0**	**(6.7)**
Other items of income					
Interest income	65.8	5.7	65.1	5.4	(1.1)
Other income	4.6	0.4	40.2	3.4	773.9
Other items of expense					
Administrative expenses	(128.0)	(11.0)	(155.6)	(13.0)	21.6
Other operating expenses	(1.7)	(0.1)	(2.4)	(0.2)	41.2
Tendering and marketing expenses	(1.0)	(0.1)	(1.3)	(0.1)	30.0
Finance costs	(85.4)	(7.4)	(99.9)	(8.3)	17.0
Zakat	(1.9)	(0.2)	(2.2)	(0.2)	15.8
Share of profit of a joint venture	8.7	0.8	1.6	0.1	(81.6)
PBT	**221.4**	**19.1**	**181.8**	**15.2**	**(17.9)**
Income tax expense	(61.0)	(5.3)	(50.3)	(4.2)	(17.5)
PAT	**160.4**	**13.8**	**131.5**	**11.0**	**(18.0)**

(a) **Revenue**

Our revenue was RM1,199.1 million in the year ended 31 December 2013, 3.5% higher than the RM1,158.9 million recorded for the year ended 31 December 2012. The increase was due to revenue growth in our environment business, which offset the decreased revenue in our power business.

Power
Our power business accounted for 27.7% of our total revenue in the year ended 31 December 2013, compared to 30.7% in the year ended 31 December 2012. Revenue for our power business was RM331.6 million in the year ended 31 December 2013, 6.8% lower than the RM355.7 million recorded for the year ended 31 December 2012. This decrease was primarily due to equipment breakdowns at both the RPI and the RPII power plants that caused these power plants to run below their respective contractual capacities, which resulted in lower capacity payments and also lower energy payments.

Environment
Our environment business accounted for 72.3% of our total revenue in the year ended 31 December 2013, compared to 69.3% in the year ended 31 December 2012. Revenue for our environment business was RM867.5 million in the year ended 31 December 2013, 8.0% higher than the RM803.2 million recorded for the year ended 31 December 2012. This increase was primarily due to an increase in the volume of water supplied to our customers in the State of Johor, in particular, higher sales to institutional and to trade and industrial customers, both of which pay higher tariffs than residential customers.

(b) Cost of sales

Our cost of sales for the year ended 31 December 2013 was RM862.8 million, 8.0% higher than the RM798.6 million recorded for the year ended 31 December 2012, principally due to increased cost of sales in our environment business.

Power
Cost of sales for our power business was RM220.0 million in the year ended 31 December 2013, accounting for 25.5% of our total cost of sales. Cost of sales for our power business decreased 8.1% in the year ended 31 December 2013 from RM239.4 million in the year ended 31 December 2012. The decrease primarily resulted from lower fuel consumption due to the operation of our power plants at reduced capacities as a result of equipment breakdowns.

Environment
Cost of sales for our environment business was RM642.8 million in the year ended 31 December 2013, accounting for 74.5% of our total cost of sales. Cost of sales for our environment business increased 14.9% in the year ended 31 December 2013 from RM559.2 million in the year ended 31 December 2012. This increase was primarily due to a significant increase in amortisation costs and higher cost of sales in line with increased sales volume. The increase in amortisation costs was due to the effectively higher annual charge rates for the lease of PAAB concession assets effective 1 July 2012 due to the expiration of the discounts granted by PAAB to SAJH for the first operating period, which ended on 30 June 2012. The effectively higher charge rates were in effect throughout the year ended 31 December 2013, compared to only six months in the comparative period.

(c) Gross profit and gross margin

Our gross profit for the year ended 31 December 2013 decreased by 6.7% to RM336.3 million, compared to RM360.3 million for the year ended 31 December 2012, as a result of the factors discussed in Sections 10.2.5(iv)(a) and 10.2.5(iv)(b) above. Our gross margin decreased to 28.0% in the year ended 31 December 2013, compared to 31.1% in the year ended 31 December 2012.

<u>Power</u>
Gross profit for our power business decreased by 4.0% to RM111.6 million for the year ended 31 December 2013, compared to RM116.3 million for the year ended 31 December 2012. Our gross margin for our power business increased from 32.7% for the year ended 31 December 2012 to 33.7% for the year ended 31 December 2013, mainly due to lower power plant maintenance costs resulting from lower variable fee maintenance which attached to the gas turbine running hours due to the breakdown of the gas turbine.

<u>Environment</u>
Gross profit for our environment business decreased by 7.9% to RM224.7 million for the year ended 31 December 2013, compared to RM244.0 million for the year ended 31 December 2012. For the reasons discussed above, our gross margin for our environment business decreased from 30.4% for the year ended 31 December 2012 to 25.9% for the year ended 31 December 2013.

(d) Interest income

Our interest income decreased to RM65.1 million in the year ended 31 December 2013 from RM65.8 million in the year ended 31 December 2012. This decrease was primarily attributable to lower finance lease income, which was partially offset by a slight increase in interest income from fixed deposits.

(e) Other income

Our other income increased to RM40.2 million in the year ended 31 December 2013 from RM4.6 million in the year ended 31 December 2012. This increase was primarily attributable to the recognition in the year ended 31 December 2013 of RM32.3 million of compensation from an insurance company on claims relating to the equipment breakdowns in the RPI and RPII power plants in 2013 and loss and damages incurred by our environment business in relation to a 2006 flood.

(f) Administrative expenses

Our administrative expenses increased by 21.6% to RM155.6 million in the year ended 31 December 2013 compared to RM128.0 million in the year ended 31 December 2012, mainly as a result of increased employee expenses and costs relating to the repair and replacement of power plant equipment at RPI and RPII that broke down.

(g) Other operating expenses

Our other operating expenses increased slightly to RM2.4 million in the year ended 31 December 2013 as compared to RM1.7 million the year ended 31 December 2012.

(h) Tendering and marketing expenses

Our tendering and marketing expenses increased slightly to RM1.3 million in the year ended 31 December 2013 from RM1.0 million in the year ended 31 December 2012.

(i) Finance costs

Our finance costs increased by 17.0% to RM99.9 million in the year ended 31 December 2013 compared to RM85.4 million in the year ended 31 December 2012, mainly as a result of higher unwinding interest related to service concession lease obligations to PAAB. Higher unwinding of interest was due to the higher lease payments during the second operating period commencing July 2012 as compared to the first operating period as described in Section 10.2.3(ii)(b) of this Prospectus. The overall increase in the finance costs was also due to the higher amortisation cost of IMTN arising from changes in estimation of cashflows to the loan. This was partially offset by the decrease in finance costs of the IMTN as the outstanding principal amount of the loan was partially repaid during the year. For further information concerning finance costs, refer to Note 8 to the Accountants' Report set forth in Section 11.2 of this Prospectus.

(j) Zakat

Our zakat expenses slightly increased to RM2.2 million in the year ended 31 December 2013 compared to RM1.9 million in the year ended 31 December 2012.

(k) Share of profit of a joint venture

Our share of profit of a joint venture, RWT (Cayman), decreased by 81.6% to RM1.6 million in the year ended 31 December 2013 compared to RM8.7 million in the year ended 31 December 2012. The lower profits at RWT (Cayman) resulted primarily from significantly lower revenue recognised from concession contract services, mainly because construction activity of RWT (Cayman) decreased as a result of its capital constraints following the failure to raise funds in the RERB IPO that was withdrawn in 2013. This decreased construction activity was the primary reason for a 53.2% decrease in the revenues of RWT (Cayman), from RM118.4 million in the year ended 31 December 2012 to RM55.4 million in the year ended 31 December 2013, and a 50.2% decrease in its cost of sales from RM93.2 million in the year ended 31 December 2012 to RM46.4 million in the year ended 31 December 2013. The gross profit of RWT (Cayman) for the year ended 31 December 2013 decreased by 63.9% to RM9.1 million, compared to RM25.2 million for the year ended 31 December 2012, as a result of the factors discussed above. RWT (Cayman)'s gross profit margin decreased to 16.3% in the year ended 31 December 2013 compared to 21.3% in the year ended 31 December 2012, mainly due to the decrease in the proportion of revenue derived from concession contract services, which typically generate higher margins than RWT (Cayman)'s other types of revenue. RWT (Cayman)'s profit before tax decreased significantly from RM21.9 million in the year ended 31 December 2012 to RM3.0 million in the year ended 31 December 2013, primarily due to the factors discussed above.

(l) PBT

As a result of the factors discussed above, our PBT for the year ended 31 December 2013 decreased by 17.9% to RM181.8 million, compared to RM221.4 million for the year ended 31 December 2012. Our PBT margin decreased to 15.2% for the year ended 31 December 2013, compared to 19.1% for the year ended 31 December 2012, primarily as a result of the increase in our cost of sales being proportionally higher than the increase in our revenue, higher finance costs and higher administrative expenses, which were partially offset by an increase in other income.

(m) Income tax expense

We had an income tax expense of RM50.3 million in the year ended 31 December 2013, 17.5% less than the RM61.0 million for the year ended 31 December 2012, primarily due to lower taxable income, higher deferred tax income. The higher deferred tax income was due to an over-provision of deferred tax expenses in the prior year and a revision of the useful life of one of our power plants in 2012 that resulted in the recognition of a deferred tax liability in 2012.

For the year ended 31 December 2013, the slight difference between our effective tax rate of 27.7% and the Malaysian statutory tax rate of 25.0% was primarily due to expenses not deductible for tax purposes of RM6.4 million and deferred tax assets not recognised of RM3.6 million, which were partially offset by over-provision of deferred tax in prior years of RM4.7 million and income not subject to tax of RM2.0 million. For the year ended 31 December 2012, the difference between our effective tax rate of 27.6% and the Malaysian statutory tax rate of 25.0% was primarily due to expenses not deductible for tax purposes of RM6.6 million, income not subject to tax of RM1.9 million and under-provision of deferred tax in prior years of RM0.7 million.

(n) PAT

As a result of the factors discussed above, our PAT decreased by 18.0% to RM131.5 million for the year ended 31 December 2013 from RM160.4 million for the year ended 31 December 2012. Our PAT margin decreased to 11.0% for the year ended 31 December 2013 from 13.8% for the year ended 31 December 2012.

10.2.6 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 Offering, 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.

The table below sets forth our cash and cash equivalents, total borrowings and working capital, as at 30 June 2015, and are based on our historical combined statement of financial position as at 30 June 2015.

	As at 30 June 2015 (RM in millions)
Cash and cash equivalents	184.3
Total borrowings	898.6
Working capital*	(75.9)

* *Calculated as current assets minus current liabilities. We had negative working capital as at 30 June 2015 due to the recognition of service concession obligations to PAAB of RM345.5 million as a current liability, while the recognition of the corresponding service concession asset of RM757.1 million is recorded as a non-current asset.*

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 for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
		(RM in millions)		
Net cash generated from operating activities	320.0	341.5	440.3	94.8
Net cash (used in)/generated from investing activities	(78.9)	(38.4)	2.6	(9.4)
Net cash (used in) financing activities	(214.7)	(303.6)	(361.5)	(158.0)

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
Net increase/ (decrease) in cash and cash equivalents	26.4	(0.5)	81.4	(72.7)
Cash and cash equivalents at beginning of year/period	149.7	176.1	175.6	257.0
Cash and cash equivalents at end of year/period	176.1	175.6	257.0	184.3

Most of our cash and cash equivalents are held in RM. Save as disclosed in Section 10.7 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 six months ended 30 June 2015 was RM94.8 million. This primarily resulted from a profit before taxation of RM90.6 million, positive adjustments for non-cash items, a decrease in working capital and principal repayments of lease rental payable to PAAB of RM104.7 million. Adjustments for non-cash items included primarily amortisation of PAAB service concession assets of RM151.4 million and depreciation of property plant and equipment of RM23.1 million. The decrease in working capital of RM83.3 million was a result of a RM77.0 million decrease in payables, a RM34.4 million increase in receivables and a RM6.4 million increase in inventories. These were offset in part by a RM42.1 million decrease in finance lease receivables arising from the RPII PPA that is accounted for as a finance lease. The decrease in payables was primarily due to lower dividends payable by SAJH and reversal of over-provision for employee bonuses for the years ended 31 December 2013 and 2014. The increase in receivables was mainly due to advances made to RUSB, higher trade receivables in line with higher revenues in our environment business and slightly longer collection periods from our customers in the State of Johor.

Net cash generated from operating activities for the year ended 31 December 2014 was RM440.3 million. This primarily resulted from a profit before taxation of RM189.8 million, positive adjustments for non-cash items, an increase in working capital and principal repayments of lease rental payable to PAAB of RM216.0 million. Adjustments for non-cash items included primarily amortisation of PAAB service concession assets of RM255.4 million and depreciation of property plant and equipment of RM45.3 million. The increase in working capital of RM157.2 million was a result of a RM84.2 million decrease in finance lease receivables arising from the RPII PPA that is accounted for as a finance lease, a RM57.5 million increase in payables and a RM29.1 million decrease in receivables. These were offset in part by a RM6.1 million increase in inventories. The increase in payables was primarily due to higher provisional expenses for upkeep, repair, maintenance and electricity charges , higher provisions for employee bonuses and higher consumer deposits. The higher provisional expenses for upkeep, repair, maintenance and electricity charges were primarily due to our taking over in 2014 of the operations of the remaining water treatment plants that were previously operated by a bulk water supplier. The decrease in receivables was mainly due to the redemption of redeemable convertible non-cumulative preference shares amounting to RM72.0 million, which was partially offset by higher receivables due to higher revenue in the environment business.

Net cash generated from operating activities for the year ended 31 December 2013 was RM341.5 million. This primarily resulted from a profit before taxation of RM181.8 million, positive adjustments for non-cash items, an increase in working capital and principal repayments of lease rental payable to PAAB of RM241.8 million. Adjustments for non-cash items included primarily amortisation of PAAB service concession assets of RM255.4 million and depreciation of property plant and equipment of RM46.2 million. The increase in working capital of RM61.8 million was a result of a RM84.2 million decrease in finance lease receivables arising from the RPII PPA that is accounted for as a finance lease and a RM17.2 million increase in payables, which were offset in part by a RM29.2 million increase in receivables and an RM8.9 million increase in inventories. The increase in receivables was mainly due to additional claims relating to maintenance costs against the Johor State Government and higher amounts of unpaid water bills from trade and industrial and institutional customers.

Net cash generated from operating activities for the year ended 31 December 2012 was RM320.0 million. This primarily resulted from a profit before taxation of RM221.4 million, positive adjustments for non-cash items, an increase in working capital, principal repayments of lease rental payable to PAAB of RM176.0 million and taxes paid of RM6.3 million. Adjustments for non-cash items included primarily amortisation of PAAB service concession assets of RM180.5 million and depreciation of property, plant and equipment of RM36.2 million. The increase in working capital of RM35.6 million was primarily a result of a RM84.2 million decrease in finance lease receivables arising from the RPII PPA that is accounted for as a finance lease and a RM47.9 million decrease in receivables, which were offset in part by a RM88.0 million decrease in payables and a RM7.4 million increase in inventories. The decrease in receivables was mainly due to a reversal of a tariff compensation claimed from the Government, payment by PAAB of a minor capital expenditure claims and the settlement of an outstanding amount due from a related company. The decrease in payables was mainly due to the payment of dividends declared by SAJH to RUSB.

<u>Net cash used in or generated from investing activities</u>

Net cash used in investing activities for the six months ended 30 June 2015 was RM9.4 million, consisting primarily of purchase of property, plant and equipment of RM9.9 million and investment in Islamic managed funds of RM6.2 million, which were partially offset by interest received of RM6.6 million. The purchases of property, plant and equipment primarily consists of purchases of water meters, computer and office equipment and motor vehicles.

Net cash generated from investing activities for the year ended 31 December 2014 was RM2.6 million, consisting primarily of disposal of investment in Shariah compliant Islamic managed funds of RM20.5 million and interest received of RM11.6 million, which were partially offset by purchases of property, plant and equipment of RM29.1 million. The purchases of property, plant and equipment primarily consists of purchases of water meters, laboratory equipment and a pump house storage tank.

Net cash used in investing activities for the year ended 31 December 2013 was RM38.4 million, consisting primarily of purchases of property, plant and equipment of RM44.4 million and purchase of software of RM4.7 million, which were offset in part by interest received from bank deposits of RM11.4 million. The purchases of property, plant and equipment primarily consists of purchases of recording instruments, water meters and power and pumping equipment for our water concession in Johor and work undertaken on behalf of PAAB in relation to the pipe rehabilitation program in the State of Johor.

Net cash used in investing activities for the year ended 31 December 2012 was RM78.9 million, consisting primarily of investment in Shariah compliant Islamic managed funds of RM43.5 million, purchases of property, plant and equipment of RM39.8 million and purchase of software of RM5.9 million, which were offset in part by interest received from bank deposits of RM9.8 million. The purchases of property, plant and equipment primarily consists of purchases of recording instruments, water meters and power and pumping equipment for our water concession in Johor and work undertaken on behalf of PAAB in relation to the pipe rehabilitation program in the State of Johor.

Net cash used in financing activities

Net cash used in financing activities for the six months ended 30 June 2015 was RM158.0 million. Net cash used in financing activities consisted primarily of repayment of RPI and RPII's borrowings of RM85.0 million, dividends paid of RM65.0 million and interest paid of RM34.0 million, which were offset by RM26.5 million of withdrawals from fixed-deposit placements.

Net cash used in financing activities for the year ended 31 December 2014 was RM361.5 million. Net cash used in financing activities consisted primarily of dividends paid of RM132.4 million, partial redemption of RPII's redeemable convertible non-cumulative preferred shares of RM90.0 million, repayment of RPI and RPII's borrowings of RM75.0 million, and interest paid of RM67.4 million, which were offset by RM4.3 million of withdrawals from fixed-deposit placements.

Net cash used in financing activities for the year ended 31 December 2013 was RM303.6 million. Net cash used in financing activities consisted primarily of dividends paid of RM150.5 million, interest paid of RM68.5 million, repayment of RPI and RPII's borrowings of RM65.0 million and fixed-deposit placements of RM18.9 million.

Net cash used in financing activities for the year ended 31 December 2012 was RM214.7 million. Net cash used in financing activities consisted primarily of dividends paid of RM81.0 million, interest paid of RM76.9 million and repayment of RPI's borrowings of RM56.5 million.

(iii) Borrowings

Our total outstanding borrowings, all of which are interest-bearing, as at 30 June 2015 are as follows:

	Purpose	Interest rate term (per annum)	As at 30 June 2015 (RM in millions)
Short-term borrowings			
Secured			
- IMTN	Refinancing of RM260 million bridge loan for the RPI power plant and RM280 million nominal value iMTN to finance the construction of the RPI power plant	Fixed rate of 7.28%	55.6
- Musharakah medium term notes	Refinancing of outstanding loans relating to the RPII power plant under the Islamic commodity Murabahah term financing and conventional syndicated term loan	Fixed rate of 6.30%	28.3
Unsecured			
- Bank Overdraft	Working capital	Fixed rate of 7.6%	0.1
			84.0
Long-term borrowings			
Secured			
- IMTN	Refinancing of RM260 million bridge loan for the RPI power plant and RM280 million nominal value iMTN to finance the construction of the RPI power plant	Fixed rate of 7.28%	167.3
- Musharakah medium term notes	Refinancing of outstanding loans relating to the RPII power plant under the Islamic commodity	Fixed rate of 6.30%	620.2

	Purpose	Interest rate term (per annum)	As at 30 June 2015 (RM in millions)
	Murabahah term financing and conventional syndicated term loan		
			787.5
Unsecured			
- Convertible unsecured loan stocks	Working capital for the RPI power plant	Fixed rate of 15.28%	27.1
			814.6
Total borrowings			**898.6**
Gearing ratio (times)[(1)]			1.09

Notes:

* *Negligible*

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

As at 30 June 2015, all of our outstanding borrowings of RM898.6 million were denominated in RM.

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

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(RM in millions)			
Within 1 year	63.0	73.4	83.9	84.0
1 to 2 years	73.2	83.9	84.1	84.3
2 to 5 years	250.0	273.2	320.9	287.3
More than 5 years	727.4	626.5	494.9	443.0
Total	**1,113.6**	**1,057.0**	**983.8**	**898.6**

The table below sets forth the interest rate profile of our borrowings as at 30 June 2015:

	As at 30 June 2015 (RM in millions)
Fixed rate	898.6
Floating rate	-
Total	898.6

There has been no default on payments of either interest or principal for any of our borrowings in the year ended 31 December 2014 and the six months ended 30 June 2015. We are not in breach of any terms and conditions or covenants associated with 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.

(iv) Loans and advances from related parties

As at 30 June 2015, all of our loans and advances from related parties were denominated in RM and these loans and advances amounted to RM63.2 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.

(v) Capital expenditures

We incurred capital expenditures of RM46.5 million, RM52.3 million and RM31.4 million for the years ended 31 December 2012, 2013 and 2014, respectively. We incurred capital expenditures of RM11.9 million and RM10.4 million for the six months ended 30 June 2014 and 2015, respectively.

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

	Year ended 31 December		
	2012	**2013**	**2014**
		(RM in millions)	
Environment			
SAJH	35.4	37.9	28.3
RWSB	1.6	4.1	2.4
	37.0	42.0	30.7
Power			
RPI	9.3	10.1	0.1
RPII	0.2	0.2	0.6
	9.5	10.3	0.7
Total	46.5	52.3	31.4

	Six months ended 30 June	
	2014	**2015**
	(RM in millions)	
Environment		
SAJH	10.4	9.3
RWSB	0.9	0.7
	11.3	10.0
Power		
RPI	-	0.1
RPII	0.6	0.3
	0.6	0.4
Total	**11.9**	**10.4**

The majority of our capital expenditures during the past three years have primarily been related to asset additions to SAJH such as water meters, motor vehicles, computer equipment and software, laboratoury office equipment, and plant and machinery.

Our planned capital expenditures for the year ending 31 December 2015 and 2016 are RM72.5 million and RM71.7 million, respectively, which we intend to use principally for the purchase of technical equipment for our environment business, particularly water meters, and the purchase and upgrade of computer and office equipment and motor vehicle purchases.

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 the Public Issue. 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.

(vi) Material divestitures

There has been no material divestitures undertaken by us for the years ended 31 December 2012, 2013 and 2014, the six months ended 30 June 2015, and up to the LPD.

(vii) Material commitments

We had material commitments for capital expenditures of RM2.4 million as at 30 June 2015. These commitments consisted of the following:

	As at 30 June 2015
	(RM in millions)
Plant and machineries	
Commitments approved and contracted for	0.1
Commitments approved but not contracted for	2.3
Total	2.4

Our material capital commitments as at 30 June 2015 were related to fixed assets such as plant and machineries. Except as disclosed above, as at 30 November 2015, there are no 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.

(viii) 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			As at 30 June
	2012	2013	2014	2015
Trade receivables (RM million)(1)	99.7	118.7	123.3	131.7
Trade receivables turnover period (days)(2)	35.7	33.2	34.1	37.0(9)
Trade payables (RM million)(3)	108.2	118.7	259.5	253.0
Trade payables turnover period (days)(4)	50.3	48.0	72.7	103.2(10)
Inventory (RM million)(5)	58.6	67.5	73.6	80.0
Inventory turnover period (days)(6)	25.0	26.4	27.0	30.5(11)
Current ratio (times)(7)	1.2	1.1	1.4	0.9
Gearing ratio (times)(8)	1.5	1.2	1.2	1.1

Notes:

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

(2) *Except as otherwise provided in note (9), 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) *Except as otherwise provided in note (10), 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 spare parts, power plant consumables and raw materials.*

(6) *Except as otherwise provided in note (11), 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) *Calculated by dividing current assets by current liabilities.*

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

(9) *Average of trade receivables as at the beginning and end of the period multiplied by 182.5 days over total revenue.*

(10) *Average of trade payables as at the beginning and end of the period multiplied by 182.5 days over total cost of sales.*

(11) *Average of inventory as at the beginning and end of the period multiplied by 182.5 days over purchases. Purchases reflect inventory closing balance less inventory opening balance plus cost of sales.*

As at LPD, our Board is of the opinion that no further impairment is necessary to our trade receivables and inventory set forth above.

Trade receivables turnover period

Our normal credit period given to our trade debtors generally ranges from 15 up to 90 days. Our trade receivables turnover period was 35.7 days in the year ended 31 December 2012, 33.2 days in the year ended 31 December 2013, 34.1 days in the year ended 31 December 2014 and 37.0 days in the six months ended 30 June 2015, falling within the normal credit period given to our trade debtors.

The table below set forth an aging analysis for our trade receivables as at 30 June 2015 and the payments which have been received from our trade receivables for the period from 30 June 2015 up to 30 November 2015.

Past Due	Trade receivables [1]	% of total trade receivables [1]	Trade receivables payments received
	(RM in millions, except percentages)		
Current	84.1	63.9%	81.1
1 to 30 days	15.2	11.6%	14.1
31 to 60 days	9.0	6.8%	6.2
61 to 90 days	4.9	3.7%	2.8
91 to 120 days	6.9	5.2%	1.5
121 to 150 days	2.2	1.7%	1.3
151 to 180 days	4.7	3.6%	3.2
181 to 365 days	1.9	1.4%	1.9
More than one year	2.8	2.1%	1.2
Total	**131.7**	**100.0%**	**113.3**

Note:

(1) *Net amount after impairment.*

Trade payables turnover period

Our normal credit period given by our trade creditors generally ranges from 30 up to 365 days depending on the product or service. Our trade payables primarily consist of amounts payable to suppliers and vendors for the purchase of goods and services, particularly the purchase of raw and treated water, fuel and consumable, electricity and chemicals, as well as services rendered for upkeep, repair and maintenance works.

Our trade payables turnover period was 50.3 days in the year ended 31 December 2012, 48.0 days in the year ended 31 December 2013, 72.7 days in the year ended 31 December 2014 and 103.2 days in the six months ended 30 June 2015. The trade payables turnover period is within the normal credit period given by trade creditors. Our trade payables turnover period increased from 72.7 days in the year ended 31 December 2014 to 103.2 days in the six months ended 30 June 2015 primarily due to higher average of trade payables as at 30 June 2015 compared to as at 31 December 2014. This higher average of trade payables was primarily due to higher amounts of lease rentals payable to PAAB. Prior to the approval by SPAN of the increased tariff rates that took effect on 1 August 2015, for purposes of cash flow management, we paid lease rental to PAAB at lower amounts compared to the lease rentals payable based on rates for the third operating period that commenced on 1 January 2015. We then accrue the difference in the lower amounts of lease rentals that we paid and the amount of lease rentals payable based on third operating period rates, which is the primary reason for the higher average trade payables and the resulting increase in trade payables turnover days in the six months ended 30 June 2015. See Section 10.2.3(ii)(b) of this Prospectus for information relating to lease payments to PAAB. 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 table below sets forth an aging analysis for our trade payables as at 30 June 2015 and the payments that have been made to our trade payables for the period from 30 June 2015 up to 30 November 2015.

Past Due	Trade payables	% of total trade payables	Trade payables payments made
	(RM in millions, except percentages)		
Current	99.1	39.2%	92.9
1 to 30 days	1.7	0.7%	-
31 to 60 days	0.7	0.3%	-
61 to 90 days	0.2	0.1%	-
91 to 120 days	130.3	51.5%	12.9
121 to 150 days	-	-	-
151 to 180 days	0.3	0.1%	-
181 to 365 days	0.1	*	-
More than one year	20.7	8.1%	1.0
Total	253.1	100.0%	106.8

* *Less than 0.1%*

Inventory turnover period

Our inventory mainly comprised of power plant consumables, spare parts and raw materials. Our inventory turnover period was 25.0 days in the year ended 31 December 2012, 26.4 days in the year ended 31 December 2013, 27.0 days in the year ended 31 December 2014 and 30.5 days in the six months ended 30 June 2015. Our inventory turnover period typically is very short, as most of our inventories are spare parts and consumables for our power plants. The continued increase in our inventory turnover period for the year ended 31 December 2013 compared to the year ended 31 December 2012, for the year ended 31 December 2014 compared to the year ended 31 December 2013, and the six months ended 30 June 2015 compared to the year ended 31 December 2014, was due to increases in inventories of spare parts and consumables in anticipation of the repair and maintenance of the power plants.

Current ratio

Our current ratio was 1.2 times as at 31 December 2012, 1.1 times as at 31 December 2013, 1.4 times as at 31 December 2014 and 0.9 times as at 30 June 2015.

Gearing ratio

Our gearing ratio decreased to 1.2 times as at 31 December 2013 compared to 1.5 times as at 31 December 2012 due to decreased borrowings mainly resulting from the repayment of IMTN and Musharakah medium term notes, and an increase in shareholders' funds resulting from increased reserves in 2013 due to the acquisition of 30% interest in RUSB pursuant to the Internal Reorganisation II. Our gearing ratio remained at 1.2 times as at 31 December 2014 and as at 31 December 2013 due to the decrease in borrowings resulting mainly from the repayment of IMTN and Musharakah medium term notes, which is offset by the decrease in shareholders' funds resulting from the redemption of redeemable convertible non-cumulative preference shares during the year ended 31 December 2014. Our gearing ratio decreased to 1.1 times as at 30 June 2015 compared to 1.2 times as at 31 December 2014 due to decreased borrowings mainly resulting from the repayment of IMTN.

(ix) Contingent liabilities

As at the LPD, our Board confirms that there are no contingent liabilities that, upon becoming enforceable, may have a material adverse impact on our results of operations or financial condition.

(x) Material litigation and arbitration proceedings

As at the LPD, our Board confirms that there are no pending material litigation or arbitration proceedings that, upon becoming enforceable, may have a material adverse impact on our results of operations or financial condition.

(xi) 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 these risks 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

Our exposure to foreign currency exchange risk arises primarily as a result of foreign currency transactions entered into in currencies other than the functional currency of subsidiaries in our environment business. We have 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. Our foreign currency risk in our environment business arises when and to the extent these payment and receivable amounts do not match.

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

(ii) Interest rate risk

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 39(c) to the Accountants' Report set out in Section 11.2 of this Prospectus.

(iii) Credit risk

Our exposure to credit risk arises primarily from trade and other receivables. In our power business, we have a significant concentration of credit risk. We have only one customer, which accounts for all of our trade receivables in our power business. Our objective in our businesses 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 39(a) to the Accountants' Report set out in Section 11.2 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 40 to the Accountants' Report set out in Section 11.2 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.

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

10.2.11 Order book

The details of our order book as at 30 November 2015 are as follows[1][2]:

Nature	Revenue to be recognised for the years ending 31 December			Total
	2015	2016	2017	
		(RM in millions)		
Environment				
NRW[3]	6.6	66.7	30.3	103.6
EPC[4]	7.2	19.8	-	27.0
BOT[5]	98.3	62.7	-	161.0
EPCIC and O&M[6]	5.7	5.5	5.1	16.3
Total	**117.8**	**154.7**	**35.4**	**307.9**

Notes:

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

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

(3) *Includes NRW projects for the states of Kelantan and Johor and the District of Kuala Lipis.*

(4) *Includes EPC projects relating to a wastewater treatment unit for a Sabah ammonia urea project, a water treatment system in Selangor and rehabilitation works to an existing public sewerage network at the Kuala Lumpur city centre.*

(5) *Includes BOT projects for wastewater treatment plants in China and Thailand.*

(6) *Includes EPCIC and O&M projects in Malaysia and Thailand.*

10.2.12 Prospects

The results of our operations and financial condition for the year ending 31 December 2015 are expected to be primarily influenced by the following factors, in addition to the factors included in Section 5 of this Prospectus:

- our ability to maintain our market share and grow our revenue;
- the condition of the Malaysian and global economy and expectations of economic recovery; and
- 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 2015 to be satisfactory.

10.3 Pro Forma Consolidated Financial Information

We were part of the RB Group prior to the Internal Reorganisation and part of the RERB Group after the completion of the Internal Reorganisation II prior to the Pre-Offering Reorganisation.

The following selected historical financial information for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 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 together with the Reporting Accountants' letter on the pro forma consolidated financial information as set out in Section 10.5 of this Prospectus.

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 10.5 of this Prospectus solely for illustrative purposes. It has been prepared using the financial statements prepared in accordance with MFRS and in a manner consistent with both the format of our financial statements and the accounting policies adopted by our Group.

The pro forma consolidated financial information does not purport to represent what our actual consolidated results of operations, cash flows or financial position would have been if our current corporate structure had been in place throughout the periods under review. The pro forma consolidated financial information is also not indicative of our future consolidated financial position, cash flows or results of operations following the Pre-Offering Reorganisation, our Offering and the Proposed Remaining RWT (Cayman) Acquisition.

10.3.1 Pro forma consolidated statements of comprehensive income

The pro forma consolidated statements of comprehensive income ("**Pro Forma Income Statements**") for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 set forth in the tables below have been prepared on the assumption that our Group had been in existence throughout the periods under review, and the Pre-Offering Reorganisation (including the Transfer of Sukuk) and the Proposed Remaining RWT (Cayman) Acquisition had been completed prior to 1 January 2012.

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10. FINANCIAL INFORMATION *(cont'd)*

	Year ended 31 December		
	2012	2013	2014
		(RM'000)	
Revenue	1,277,353	1,254,195	1,383,469
Cost of sales	(891,789)	(909,069)	(1,015,868)
Gross profit	385,564	345,126	367,601
Other items of income			
Interest income	81,761	79,872	80,180
Other income	5,199	42,788	12,456
Other items of expense			
Administrative expenses	(148,394)	(180,187)	(180,414)
Other operating expenses	(1,693)	(2,376)	(2,536)
Tendering and marketing expenses	(2,269)	(2,449)	(2,271)
Finance costs	(151,338)	(168,132)	(145,285)
Zakat	(1,961)	(2,197)	(4,874)
Share of profit of a joint venture	153	314	405
PBT	167,023	112,759	125,263
Income tax expense	(68,877)	(49,905)	(59,805)
PAT	98,146	62,854	65,458
Other comprehensive income:			
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods	-	1,437	-
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(2,535)	14,235	11,360
Total comprehensive income for the year	95,611	78,526	76,818
PAT attributable to:			
Owners of the parent	57,842	26,251	29,141
Non-controlling interests	40,304	36,603	36,317
	98,146	62,854	65,458
Total comprehensive income attributable to:			
Owners of the parent	55,305	41,636	40,505
Non-controlling interests	40,306	36,890	36,313

	95,611	78,526	76,818
EPS* (RM)	0.06	0.03	0.03

* *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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	Six months ended 30 June	
	2014	2015
	(RM'000)	
Revenue	689,501	656,175
Cost of sales	(490,803)	(473,209)
Gross profit	198,698	182,966
Other items of income		
Interest income	39,803	41,235
Other income	3,526	8,798
Other items of expense		
Administrative expenses	(81,805)	(88,421)
Other operating expenses	(1,335)	(811)
Tendering and marketing expenses	(699)	(954)
Finance costs	(75,801)	(85,027)
Zakat	(500)	(840)
Share of profit of a joint venture	112	195
PBT	81,999	57,141
Income tax expense	(32,441)	(33,259)
PAT	49,558	23,882
Other comprehensive income:		
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods	-	-
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(3,023)	20.065
Total comprehensive income for the period	46,535	43,947
PAT attributable to:		
Owners of the parent	29,436	9,550
Non-controlling interests	20,122	14,332
	49,558	23,882
Total comprehensive income attributable to:		
Owners of the parent	26,414	29,615

Non-controlling interests	20,121	14,332
	46,535	43,947
EPS* (RM)	0.03	0.01

* *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

(i) Comparative discussion on historical combined income statement and the Pro Forma Income Statements

The following discussion provides a comparison of our historical combined statements of comprehensive income and our Pro forma Income Statements for the periods indicated.

Pro forma I assumes that the Pre-Offering Reorganisation had been completed prior to 1 January 2012 and that the pro forma Sukuk and corporate expenses adjustments discussed below have been reflected in the periods indicated.

Pro forma II incorporates the effects of Pro forma I and assumes that the Offering and the Proposed Remaining RWT (Cayman) Acquisition had been completed prior to 1 January 2012.

(a) Pro forma I adjustments

Pro forma I assumes the following:

(1) **Sukuk-related expenses**

In the year ended 31 December 2012, RGSB charged to RB the finance costs relating to the Sukuk issued by RGSB in June 2011. RB bore the finance costs relating to the Sukuk because substantially all the proceeds received by RGSB from the Sukuk issuance was on-lent to RB. As part of the Internal Reorganisation that was completed in January 2013, the amount RB owed to RGSB under these on-lending arrangements was set-off and RGSB ceased charging the Sukuk finance costs to RB thereafter.

Following the Transfer of Sukuk on the completion of the Pre-Offering Reorganisation, we will bear the finance costs relating to the Sukuk. As these finance costs were not borne by the Identified Entities prior to the Pre-Offering Reorganisation, they do not appear in our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 presented elsewhere in this Prospectus.

In preparing the Pro Forma Income Statements, it has been assumed that (i) the Pre-Offering Reorganisation has been completed prior to 1 January 2012 and (ii) the Transfer of Sukuk was completed based on the existing terms of the trust deed dated 22 April 2011, executed between Malaysian Trustees Berhad, as the trustee, and RGSB, as the issuer. Accordingly, in the Pro Forma Income

Statements, the Sukuk finance costs have been charged to our Group from 1 January 2012.

For the years ended 31 December 2012, 2013 and 2014, our pro forma Sukuk finance costs were RM58.6 million, RM58.6 million and RM58.3 million, respectively. For the six months ended 30 June 2014 and 2015, our pro forma Sukuk finance costs were RM29.2 million and RM28.0 million, respectively.

(2) **Corporate expenses**

As the holding companies of the Identified Entities prior to the Internal Reorganisation, the Internal Reorganisation II and the Pre-Offering Reorganisation, RB, RERB and RGSB bore certain corporate expenses in the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015. As these expenses were not borne by the Identified Entities prior to the Pre-Offering Reorganisation, they do not appear in our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 presented elsewhere in this Prospectus.

Pursuant to the Internal Reorganisation, the Internal Reorganisation II and the Pre-Offering Reorganisation, our Group has been formed, and, as the holding company of our Group, our Company is expected to bear corporate expenses consisting principally of staff related costs and rental costs following the Pre-Offering Reorganisation. In preparing the Pro Forma Income Statements, it has been assumed that our Company had incurred these corporate expenses that were borne by RB, RERB and RGSB from 1 January 2012 to 30 June 2015.

For the years ended 31 December 2012, 2013 and 2014, our pro forma corporate expenses were RM8.9 million, RM11.7 million and RM11.7 million, respectively. For the six months ended 30 June 2014 and 2015, our pro forma corporate expenses were RM6.2 million and RM7.2 million, respectively.

(b) Pro forma II adjustments

Using the equity method of accounting, our share in the results of RWT (Cayman), in which we have a 52.1% equity interest, appear in our Combined Financial Statements for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 as our share of profit of a joint venture presented elsewhere in this Prospectus.

Pro forma II incorporates the effects of Pro forma I and assumes that the Offering and the Proposed Remaining RWT (Cayman) Acquisition had been completed prior to 1 January 2012. Accordingly, in the Pro Forma Income Statements, RWT (Cayman) has been assumed to be a wholly-owned subsidiary of our Group prior to 1 January 2012 and onwards.

The tables below provide side-by-side comparisons of our historical combined statements of comprehensive income and our pro forma consolidated statements of comprehensive income for the periods indicated.

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(ii) Historical combined and pro forma consolidated statements of comprehensive income for the six months ended 30 June 2015

	Six months ended 30 June 2015		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
Revenue	628,264	628,586	656,175
Cost of sales	(453,095)	(453,513)	(473,209)
Gross profit	175,169	175,073	182,966
Other items of income			
Interest income	31,383	31,383	41,235
Other income	3,812	3,812	8,798
Other items of expense			
Administrative expenses	(69,367)	(80,047)	(88,421)
Other operating expenses	(811)	(811)	(811)
Tendering and marketing expenses	(590)	(590)	(954)
Finance costs	(52,267)	(80,238)	(85,027)
Zakat	(840)	(840)	(840)
Share of profit of a joint venture	4,127	4,127	195
PBT	90,616	51,869	57,141
Income tax expense	(31,784)	(31,784)	(33,259)
PAT	58,832	20,085	23,882
Other comprehensive income:			
Foreign currency translation to be reclassified to profit or loss in subsequent periods	10,483	10,483	20,065
Total comprehensive income for the period	69,315	30,568	43,947
PAT attributable to:			
Owners of the parent	44,497	5,750	9,550
Non-controlling interests	14,335	14,335	14,332
	58,832	20,085	23,882
Total comprehensive income attributable to:			
Owners of the parent	54,980	16,233	29,615
Non-controlling interests	14,335	14,335	14,332
	69,315	30,568	43,947
EPS (RM)	0.08[(1)]	0.01[(1)]	0.01[(2)]

Notes:

(1) *Computed based on PAT attributable to equity holders of our Company divided by approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(2) *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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(iii) Historical combined and pro forma consolidated statements of comprehensive income for the six months ended 30 June 2014

	Six months ended 30 June 2014		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
Revenue	645,452	645,452	689,501
Cost of sales	(460,821)	(460,821)	(490,803)
Gross profit	184,631	184,631	198,698
Other items of income			
Interest income	31,589	31,589	39,803
Other income	3,038	3,038	3,526
Other items of expense			
Administrative expenses	(68,596)	(74,781)	(81,805)
Other operating expenses	(1,335)	(1,335)	(1,335)
Tendering and marketing expenses	(393)	(397)	(699)
Finance costs	(42,061)	(71,269)	(75,801)
Zakat	(500)	(500)	(500)
Share of profit of a joint venture	4,880	4,880	112
PBT	111,253	75,856	81,999
Income tax expense	(30,783)	(30,779)	(32,441)
PAT	80,470	45,077	49,558
Other comprehensive income:			
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(1,368)	(1,368)	(3,023)
Total comprehensive income for the period	79,102	43,709	46,535
PAT attributable to:			
Owners of the parent	60,342	24,949	29,436
Non-controlling interests	20,128	20,128	20,122
	80,470	45,077	49,558
Total comprehensive income attributable to:			
Owners of the parent	58,974	23,581	26,414
Non-controlling interests	20,128	20,128	20,121
	79,102	43,709	46,535
EPS (RM)	0.11 [(1)]	0.04[(1)]	0.03[(2)]

Notes:

(1) *Computed based on PAT attributable to equity holders of our Company divided by approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(2) *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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(iv) Historical combined and pro forma consolidated statements of comprehensive income for the year ended 31 December 2014

	Year ended 31 December 2014		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
Revenue	1,294,342	1,294,342	1,383,469
Cost of sales	(949,396)	(949,396)	(1,015,868)
Gross profit	344,946	344,946	367,601
Other items of income			
Interest income	62,987	62,987	80,180
Other income	6,394	6,394	12,456
Other items of expense			
Administrative expenses	(147,005)	(166,050)	(180,414)
Other operating expenses	(2,536)	(2,536)	(2,536)
Tendering and marketing expenses	(1,323)	(1,323)	(2,271)
Finance costs	(77,869)	(136,181)	(145,285)
Zakat	(4,874)	(4,874)	(4,874)
Share of profit of a joint venture	9,088	9,088	405
PBT	189,808	112,451	125,263
Income tax expense	(55,367)	(55,367)	(59,805)
PAT	134,441	57,084	65,458
Other comprehensive income:			
Foreign currency translation to be reclassified to profit or loss in subsequent periods	6,127	6,127	11,360
Total comprehensive income for the year	140,568	63,211	76,818
PAT attributable to:			
Owners of the parent	98,114	20,758	29,141
Non-controlling interests	36,327	36,326	36,317
	134,441	57,084	65,458
Total comprehensive income attributable to:			
Owners of the parent	104,241	26,855	40,505
Non-controlling interests	36,327	36,326	36,313
	140,568	63,211	76,818
EPS (RM)	0.17(1)	0.04(1)	0.03(2)

10. FINANCIAL INFORMATION *(cont'd)*

Notes:

(1) *Computed based on PAT attributable to equity holders of our Company divided by approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(2) *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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(v) Historical combined and pro forma consolidated statements of comprehensive income for the year ended 31 December 2013

	Year ended 31 December 2013		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
Revenue	1,199,140	1,199,140	1,254,195
Cost of sales	(862,877)	(862,877)	(909,069)
Gross profit	336,263	336,263	345,126
Other items of income			
Interest income	65,162	65,162	79,872
Other income	40,166	40,166	42,788
Other items of expense			
Administrative expenses	(155,555)	(167,293)	(180,187)
Other operating expenses	(2,376)	(2,376)	(2,376)
Tendering and marketing expenses	(1,315)	(1,315)	(2,449)
Finance costs	(99,936)	(158,489)	(168,132)
Zakat	(2,197)	(2,197)	(2,197)
Share of profit of a joint venture	1,609	1,609	314
PBT	181,821	111,530	112,759
Income tax expense	(50,323)	(50,323)	(49,905)
PAT	131,498	61,207	62,854
Other comprehensive income:			
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods	1,437	1,437	1,437
Foreign currency translation to be reclassified to profit or loss in subsequent periods	7,210	7,210	14,235
Total other comprehensive income for the year	8,647	8,647	15,672
Total comprehensive income for the year	140,145	69,854	78,526
PAT attributable to:			
Owners of the parent	84,647	24,388	26,251
Non-controlling interests	46,851	36,819	36,603
	131,498	61,207	62,854
Total comprehensive income attributable to:			
Owners of the parent	92,313	32,041	41,636
Non-controlling interests	47,832	37,813	36,890

10. FINANCIAL INFORMATION *(cont'd)*

	Year ended 31 December 2013		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
	140,145	69,854	78,526
EPS (RM)	0.15[(1)]	0.04[(1)]	0.03[(2)]

Notes:

[(1)] *Computed based on PAT attributable to equity holders of our Company divided by approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

[(2)] *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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(vi) Historical combined and pro forma combined statements of comprehensive income for the year ended 31 December 2012

	31 December 2012		
	Historical combined Audited	Pro forma I	Pro forma II
		(RM'000)	
Revenue	1,158,951	1,158,951	1,277,353
Cost of sales	(798,612)	(798,612)	(891,789)
Gross profit	360,339	360,339	385,564
Other items of income			
Interest income	65,751	65,751	81,761
Other income	4,633	4,633	5,199
Other items of expense			
Administrative expenses	(127,985)	(136,904)	(148,394)
Other operating expenses	(1,693)	(1,693)	(1,693)
Tendering and marketing expenses	(957)	(957)	(2,269)
Finance costs	(85,473)	(144,078)	(151,338)
Zakat	(1,961)	(1,961)	(1,961)
Share of profit of a joint venture	8,740	8,740	153
PBT	221,394	153,870	167,023
Income tax expense	(60,995)	(60,995)	(68,877)
PAT	160,399	92,875	98,146
Other comprehensive income:			
Foreign currency translation to be reclassified to profit or loss in subsequent periods	(1,320)	(1,320)	(2,535)
Total other comprehensive income for the year	(1,320)	(1,320)	(2,535)
Total comprehensive income for the year	159,079	91,555	95,611
PAT attributable to:			
Owners of the parent	94,091	49,939	57,842
Non-controlling interests	66,308	42,936	40,304
	160,399	92,875	98,146
Total comprehensive income attributable to:			
Owners of the parent	93,173	49,013	55,305
Non-controlling interests	65,906	42,542	40,306
	159,079	91,555	95,611
EPS (RM)	0.17[(1)]	0.09[(1)]	0.06[(2)]

Notes:

(1) *Computed based on PAT attributable to equity holders of our Company divided by approximately 566 million Shares, being the number of Shares in issue prior to the Public Issue. The Company does not have any treasury shares as at LPD.*

(2) *Computed based on PAT attributable to equity holders of our Company divided by our enlarged share capital of approximately 941 million Shares, after taking into account the assumed Public Issue of 375 million Issue Shares. The Company does not have any treasury shares as at LPD.*

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10.3.2 Pro forma consolidated statements of financial position

The pro forma consolidated statements of financial position as at 30 June 2015 have been prepared for illustrative purposes only, to show the effects on our Group's financial position as at 30 June 2015 based on the assumption that the Pre-Offering Reorganisation (including the Transfer of Sukuk), the Offering and the Proposed Remaining RWT (Cayman) Acquisition have been completed on 30 June 2015.

The pro forma consolidated statements of financial position as at 30 June 2015 set forth below should be read in conjunction with the Reporting Accountants' Letter on the Pro forma consolidated statements of financial position as at 30 June 2015 and the notes thereon as set out in Section 10.5 of this Prospectus.

	As at 30 June 2015			
	Audited	Pro forma I	Pro forma II	Pro forma III
		After the Pre-Offering Reorganisation	After Pro forma I and the Offering	After Pro forma I, II and the Proposed Remaining RWT (Cayman) Acquisition
		(RM'000)		
Assets				
Non-current assets				
Property, plant and equipment	-	567,940	567,940	569,670
Operating financial assets	-	-	-	452,412
Service concession assets	-	757,092	757,092	757,092
Intangible assets	-	298,516	298,516	298,944
Finance lease receivables	-	613,015	613,015	613,015
Deferred tax assets	-	263,147	263,147	265,136
Investment in a joint venture	-	137,763	137,763	13,935
Trade and other receivables	-	73,011	73,011	73,268
	-	2,710,484	2,710,484	3,043,472
Current assets				
Operating financial assets	-	-	-	21,578
Finance lease receivables	-	36,684	36,684	36,684
Trade and other receivables	6,393	279,758	273,887	256,365
Inventories	-	80,043	80,043	80,596
Tax recoverable	-	987	987	1,177
Other current assets	-	23,979	23,979	26,991
Other financial assets	-	29,987	29,987	29,987
Deposits, cash and bank balances	-	433,519	699,619	580,617
	6,393	884,957	1,145,186	1,033,995
Total assets	6,393	3,595,441	3,855,670	4,077,467

	As at 30 June 2015			
	Audited	Pro forma I	Pro forma II	Pro forma III
		After the Pre-Offering Reorganisation	After Pro forma I and the Offering	After Pro forma I, II and the Proposed Remaining RWT (Cayman) Acquisition
	(RM'000)			
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	-	565,995	940,995	940,995
Share premium	-	339,597	576,197	576,197
Other reserves	-	289,930	289,930	289,930
Currency translation reserves	-	18,172	18,172	-
Equity component of convertible unsecured loan stock	-	2,657	2,657	2,657
(Accumulated loss)/Retained earnings	(10,929)	186,443	170,530	190,289
Merger deficit	-	(1,204,333)	(1,204,333)	(1,204,333)
	(10,929)	198,461	794,148	795,735
Non-controlling interest	-	210,573	210,573	210,573
Total equity	(10,929)	409,034	1,004,721	1,006,308
Non-current liabilities				
Retirement benefit obligations	-	84,729	84,729	84,729
Finance lease payables	-	3,022	3,022	3,047
Long term borrowings	-	1,493,661	1,229,697	1,348,156
Trade and other payables	-	5,893	5,893	6,002
Consumer deposits	-	164,667	164,667	164,667
Deferred tax liabilities	-	51,631	51,631	66,226
Service concession obligations		477,331	477,331	477,331
	-	2,280,934	2,016,970	2,150,158

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	As at 30 June 2015			
	Audited	Pro forma I	Pro forma II	Pro forma III
		After the Pre-Offering Reorganisation	After Pro forma I and the Offering	After Pro forma I, II and the Proposed Remaining RWT (Cayman) Acquisition
	(RM'000)			
Current liabilities				
Retirement benefit obligations	-	8,072	8,072	8,072
Finance lease payables	-	1,262	1,262	1,289
Short term borrowings	-	139,322	83,742	108,614
Zakat	-	8,442	8,442	8,442
Trade and other payables	17,322	397,614	381,700	441,452
Other current liability	-	2,558	2,558	3,503
Service concession obligations	-	345,455	345,455	345,455
Tax payable	-	2,748	2,748	4,174
	17,322	905,473	833,979	921,001
Total liabilities	17,322	3,186,407	2,850,949	3,071,159
Total equity and liabilities	6,393	3,595,441	3,855,670	4,077,467
Number of shares in issue ('000)	-	565,995	940,995	940,995
NA[1] (RM'000)	(10,929)	198,461	794,148	795,735
NA per Share[2] (RM)	(5,464,500)	0.35	0.84	0.85

* The issued and paid up share capital of the Company before pro forma adjustments is RM2.

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). The Company does not have any treasury shares as at LPD.*

10.3.3 Pro forma consolidated statement of cash flows

The pro forma consolidated statement of cash flows for the six months ended 30 June 2015 set forth below has been prepared on the assumption that the Pre-Offering Reorganisation (including the Transfer of Sukuk), the Offering (including the proposed utilisation of the Public Issue proceeds as set out in Section 4.10 of this Prospectus) and the Proposed Remaining RWT (Cayman) Acquisition had been completed on 1 January 2015.

The pro forma consolidated statement of cash flows for the six months ended 30 June 2015 set forth below should be read in conjunction with the Reporting Accountants' Letter on the pro forma consolidated statement of cash flows for the six months ended 30 June 2015 and the notes thereon as set out in Section 10.5 of this Prospectus.

	Pro forma six months ended 30 June 2015
	(RM'000)
Cash flows from operating activities	
Profit before taxation	57,141
Adjustments for:	
Depreciation of property, plant and equipment	23,307
Net gain on disposal of property, plant and equipment	(89)
Property, plant and equipment written off	8
Amortisation of service concession asset	151,419
Amortisation of intangible assets	1,283
Share of profit of a joint venture	(195)
Provision for retirement benefit plan	4,470
Zakat	840
Provision for liquidated ascertained damages	2,014
Net unrealised foreign exchange gain	(4,861)
Allowance for impairments	646
Interest income	(41,235)
Interest expense	85,027
Operating profit before working capital changes	279,775
Receivable	(39,507)
Payables	(62,496)
Inventories	(6,385)
Finance lease receivables	42,084
Operating financial assets	(790)
Other current liability	(29)
Other current asset	(8,732)
Cash generated from operations	203,920
Retirement benefits plan paid	(3,295)
Zakat paid	(340)
Tax paid	(4,654)

	Pro forma six months ended 30 June 2015 (RM'000)
Repayments of lease rental payable to PAAB	(104,670)
Net cash generated from operating activities	90,961
Cash flows from investing activities	
Purchase of property, plant and equipment	(10,325)
Purchase of intangible assets	(57)
Proceeds from disposal of property, plant and equipment	147
Investment in Islamic managed funds	(6,178)
Proceeds from disposal of Symphony from the Proposed MBO	60,000
Acquisition of additional interest in RWT Cayman ("Proposed Remaining RWT (Cayman) Acquisition")	(125,000)
Interest received	6,673
Net cash used in investing activities	(74,740)
Cash flows from financing activities	
Proceeds from borrowings	19,325
Finance lease principal repayments	(648)
Net fixed deposits withdrawn from banking facilities	26,448
Repayment of borrowings	(440,342)
Dividends paid	(65,000)
Interest paid	(72,883)
Estimated proceeds from the Public Issue	637,500
Estimated expenses for the listing and Offering	(51,400)
Net cash generated from in financing activities	53,000
Net increase in cash and cash equivalents	**69,221**
Cash and cash equivalents at beginning of the period	**255,944**
Effect of foreign exchange rate changes	**(44)**
Cash and cash equivalents at end of the period	**325,121**

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	191,084
Short term deposits with:	
- Licensed banks	327,805
- Other financial institutions	2,674
	521,563
Deposits pledged as securities to licensed banks	(2,187)
Restricted cash and bank balances	(187,720)
Deposits with maturities of three months or more	(2,047)

	Pro forma six months ended 30 June 2015
	(RM'000)
Bank overdrafts	(4,488)
Cash and cash equivalents	**325,121**

10.4 Capitalisation and indebtedness

The pro forma financial information set forth in the table below has been prepared based on the unaudited management accounts of our Group as at 31 October 2015, on the assumption that the Pre-Offering Reorganisation, the Offering and the Proposed Remaining RWT (Cayman) Acquisition were completed on 31 October 2015.

The pro forma financial information below is prepared for illustrative purposes only based on certain assumptions and does not represent our Group's actual cash and cash equivalents, capitalisation and indebtedness as at 31 October 2015. The total indebtedness of our Group is not guaranteed by any third party.

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	Unaudited*	Pro forma
	As at 31 October 2015	After the Pre-Offering Reorganisation, the Offering and the Proposed Remaining RWT (Cayman) Acquisition
	RM'000	RM'000
Cash and cash equivalents[(1)]	215,769	423,416
Indebtedness		
Short term debt		
Secured		
- Islamic Medium Term Notes	55,580	-
- Musharakah Medium Term Notes	28,297	28,297
- Bank overdrafts	-	1,145
- Revolving credits	675	675
- Term loan	-	14,998
- Bankers' acceptance	-	1,510
- Sukuk	-	55,350
Unsecured		
- Bank overdrafts	-	2,935
- Bankers' acceptance	-	89
- Term loan	-	244
	84,552	105,243
Long term debt		
Secured		
- Islamic Medium Term Notes	167,329	-
- Musharakah Medium Term Notes	620,179	620,179
- Term loan	-	156,596
- Sukuk	-	582,441
Unsecured		
- Term loan	-	551
- Convertible unsecured loan stocks	27,077	27,077
	814,585	1,386,844
Total indebtedness[(2)]	899,137	1,492,087
Total shareholders' funds	894,358	880,258
Non-controlling interests	224,608	224,608
Total capitalisation	1,118,966	1,104,866

	Unaudited*	Pro forma
	As at 31 October 2015	After the Pre-Offering Reorganisation, the Offering and the Proposed Remaining RWT (Cayman) Acquisition
	RM'000	RM'000
Total capitalisation and indebtedness	2,018,103	2,596,953
Gearing ratio (times)(3)(4)	1.01	1.70

Notes:

* *Based on the unaudited management accounts of our Group.*

(1) *Cash and cash equivalents include short-term deposits, cash and bank balances less bank overdrafts, deposits pledged as securities to license banks and restricted deposits.*

(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) *Save for the Sukuk, all other borrowings of the Ranhill Holdings Group are non-recourse borrowings with respect to Ranhill as these borrowings are secured by collateral provided by our subsidiaries and the lenders cannot seek repayment from Ranhill, even in instances where the collateral does not cover the full value of the amounts due. Excluding the non-recourse borrowings, the gearing ratio of the Ranhill Holdings Group is nil and 0.72 times based on the unaudited management accounts as at 31 October 2015 and the pro forma (post the Offering and the Proposed Remaining RWT (Cayman) Acquisition), respectively.*

(5) *Our pro forma gearing ratio is higher than our actual gearing ratio based on our unaudited management accounts as at 31 October 2015 mainly due to the Transfer of Sukuk to RCSB upon the completion of the Ranhill Acquisition (as further described in Section 6.1.4 of this Prospectus). As the Sukuk was not issued by the Identified Entities, it is not reflected in the unaudited management accounts of our Group as at 31 October 2015.*

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

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PROFORMA FINANCIAL INFORMATION OF RANHILL HOLDINGS BERHAD AND ITS SUBSIDIARIES
(Prepared for inclusion in the Prospectus)

The Board of Directors
Ranhill Holdings Berhad
Level 15, Wisma Perkeso
No. 155 Jalan Tun Razak
50400 Kuala Lumpur

16 December 2015

Dear Sirs

PROFORMA FINANCIAL INFORMATION
OFFERING OF UP TO 475,000,000 ORDINARY SHARES OF RM1.00 EACH IN RANHILL HOLDINGS BERHAD ("RANHILL HOLDINGS") ("RANHILL HOLDING SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF UP TO 940,994,967 RANHILL HOLDINGS SHARES ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:
(a) PROPOSED OFFER FOR SALE OF UP TO 100,000,000 EXISTING RANHILL HOLDINGS SHARES; AND
(b) PROPOSED PUBLIC ISSUE OF UP TO 375,000,000 NEW RANHILL HOLDINGS SHARES
("OFFERING")

We have completed our assurance engagement to report on the compilation of proforma financial information of Ranhill Holdings and its subsidiaries ("Ranhill Holdings Group" or "Group") prepared by the Directors of Ranhill Holdings. The proforma financial information consists of the proforma consolidated statements of financial position as at 30 June 2015, the proforma consolidated statements of comprehensive income for the periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012, the proforma consolidated statement of cash flow for the period ended 30 June 2015 and the related notes as set out in Section 10.5 of the Prospectus issued by Ranhill Holdings.

The proforma financial information has been compiled by the Directors of Ranhill Holdings based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission Malaysia and Note 4 of Section 10.5 of the Prospectus issued by Ranhill Holdings.

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The proforma consolidated statements of financial position have been compiled by the Directors of Ranhill Holdings to illustrate the impact of the events or transactions as set out in Note 2 and Note 3 of Section 10.5 of the Prospectus on the Group's financial position as at 30 June 2015 assuming such transactions has been completed on 30 June 2015.

For the purposes of the proforma consolidated statements of comprehensive income for the periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012 and the proforma consolidated statement of cash flows for the period ended 30 June 2015, Ranhill Holdings Group's 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 Holdings from the relevant financial statements for the periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012, 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 Holdings are solely 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 Holdings 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 Holdings 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.

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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.

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 Holdings 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, the proforma financial information of Ranhill Holdings Group has been properly compiled, in all material respects, on the basis as set out in Note 4 of Section 10.5 of the Prospectus to be issued by Ranhill Holdings.

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Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia in connection with the Offering. 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 Offering 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 Offering in Malaysia.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

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

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
RTO	Reverse Take-over
MBO	Management Buy-out
MFRS	Malaysian Financial Reporting Standards
Ranhill Holdings	Ranhill Holdings Berhad
Ranhill Holdings Shares	Ordinary shares of RM1.00 each in Ranhill Holdings
Ranhill Holdings Group	Ranhill Holdings, RCSB and its subsidiaries post the Pre-Offering Reorganisation and Proposed Remaining RWT (Cayman) Acquisition
RCSB	Ranhill Capital Sdn Bhd
RGSB	Ranhill Group Sdn Bhd
RGSB Companies	Collectively, 60% equity interest in RPI and RPOMI, 80% equity interest in RPII and RPOMII and 100% equity interest in RPS
RPI	Ranhill Powertron Sdn Bhd
RPII	Ranhill Powertron II Sdn Bhd
RPOMI	Ranhill Power O&M Sdn Bhd
RPOMII	Ranhill Power II O&M Sdn Bhd
RPS	Ranhill Power Services Sdn Bhd
SAJH	SAJ Holdings Sdn Bhd
RWSB	Ranhill Water Services Sdn Bhd
RM	Ringgit Malaysia, the lawful currency of Malaysia
RUSB	Ranhill Utilities Sdn Bhd
RUSB Companies	Collectively, 80% equity interest in SAJH, 52.1% equity interest in RWT (Cayman) and 100% equity interest in RWSB
RWorley	Ranhill WorleyParsons Sdn Bhd
RWT (Cayman)	Ranhill Water Technologies (Cayman) Limited
Sukuk	RM800million nominal value of guaranteed Islamic medium term notes issued by RGSB in 2011
SSA	Share Sale Agreement
Stone Equity	Stone Equity Sdn Bhd
Symphony	Symphony House Berhad
Symphony Shares	Ordinary shares of RM0.10 each in Symphony
Pre-Offering Reorganisation	Comprising the Scheme of Arrangement, Acquisition of RGSB Companies, Acquisition of RUSB Companies, MBO and the RWorley Call Option (but not the exercise thereof), as set out in Section 6.1.4 of the Prospectus
Identified Entities	RGSB Companies and RUSB Companies

Proforma consolidated financial information (contd.)

2. Introduction

2.1 Pre-Offering Reorganisation

(a) Scheme of Arrangement

A scheme of arrangement under Section 176 of the Companies Act, 1965 involving the exchange of the entire issued and paid-up Symphony Shares for Ranhill Holdings Shares on the basis of 1 Ranhill Holdings Share for every 10 existing Symphony Shares held.

(b) RGSB Companies and RUSB Companies Acquisitions

The acquisition by Ranhill Holdings from RGSB of its entire equity interest in the RGSB Companies for a purchase consideration of RM107 million, satisfied via the issuance of 66,875,000 new Ranhill Holdings Shares at an issue price of RM1.60 per Ranhill Holdings Share ("RGSB Companies Acquisition").

The acquisition by Ranhill Holdings from RUSB of its entire equity interest in the RUSB Companies for a purchase consideration of RM693 million, satisfied via the issuance of 433,125,000 new Ranhill Holdings Shares at an issue price of RM1.60 per Ranhill Holding Share ("RUSB Companies Acquisition").

Pursuant to the RGSB Companies Acquisition, RCSB, a special purpose vehicle wholly-owned by Ranhill Holdings, assumed the Sukuk ("Transfer of Sukuk"). The Sukuk is an existing RM800 million Islamic medium term notes duly issued by RGSB and constituted by a trust deed dated 22 April 2011. The Transfer of Sukuk was effected via a novation of the Sukuk by RGSB to RCSB, based on the terms agreed between the Guarantors of the Sukuk and RGSB.

As part of the Transfer of Sukuk, Ranhill Holdings nominated RCSB to hold the shares in RGSB Companies and RUSB Companies acquired from RGSB and RUSB, respectively.

(c) MBO

A management buy-out, comprising the divestment by Ranhill Holdings of all the equity interest in Symphony to Stone Equity, after the completion of the Scheme of Arrangement, for a cash consideration of RM60 million.

Proforma consolidated financial information (contd.)

2. Introduction (contd.)

2.1 Pre-Offering Reorganisation (contd.)

(d) RWorley Call Option

The granting of a call option by RGSB to Ranhill Holdings to acquire RGSB's entire 51.0% equity interest in RWorley ("Option Shares") at a call option price which shall be mutually determined by Ranhill Holdings and RGSB upon the conclusion of the due diligence to be carried out on RWorley by Ranhill Holdings. The call option is exercisable within a period of 3 to 18 months from the completion of the Offering. The call option price shall be satisfied partly in cash and partly by the issuance and allotment of Ranhill Holdings Shares to RGSB on completion, at an issue price and in the proportion to be mutually agreed between Ranhill Holdings and RGSB.

The Pre-Offering Reorganisation described above will result in the formation of the Ranhill Holdings Group.

2.2 Offering

The Offering involves an offer for sale of up to 100,000,000 existing Ranhill Holdings Shares ("OFS") and a public issue of up to 375,000,000 new Ranhill Holdings Shares ("Public Issue") involving:

- Institutional offering of up to 354,180,000 Ranhill Holdings Shares to Malaysian institutional and selected investors, including bumiputera investors approved by the Ministry of International Trade and Industry and foreign institutional and selected investors outside the United States in reliance on Regulation S; and

- Retail offering of 120,820,000 Ranhill Holdings Shares to eligible directors and employees of Ranhill Holdings Group, Ranhill Energy and Resources Sdn Bhd, RGSB and RUSB, person who have contributed to the success of Ranhill Holdings Group and the Malaysian public, including a restricted offering of Ranhill Holdings Shares to our existing shareholders who were previously shareholders of Symphony and were entitled to the Scheme of Arrangement.

2.3 Transfer of Listing Status

The Transfer of Listing Status entails the assumption of the listing status of Symphony by Ranhill Holdings and the admission of Ranhill Holdings to, and the withdrawal of Symphony from, the Official List of Bursa Securities upon the completion of the Pre-Offering Reorganisation with the listing of and quotation for its entire enlarged issued and paid up share capital of up to RM940,994,967 comprising 940,994,967 Ranhill Holdings Shares upon the completion of the Offering on the Main Market of Bursa Securities.

Proforma consolidated financial information (contd.)

3. Proposed Remaining RWT (Cayman) Acquisition

The RUSB SSA shall also effect the Proposed Remaining RWT (Cayman) Acquisition whereby Ranhill Holdings is to acquire from RUSB all the remaining 47.9% equity interest in RWT (Cayman) for a cash consideration of USD25,419,356 plus interest at 5% per annum with effect from 16 August 2013 up to the completion of RWT (Cayman) SSA1 and RWT (Cayman) SSA2 (as defined below).

RUSB had earlier entered into two SSAs, being the RWT (Cayman) SSA1 with Robinson Investments Limited on 12 June 2014 and the RWT (Cayman) SSA2 with the RWT (Cayman) Vendors (comprising Sierra Master (M) Sdn Bhd, Ahmad Zahdi Jamil, Koh Boon Sian, Faizal Othman and Soon Tet Heng) on 16 June 2014, to acquire all the remaining 47.9% equity interest in RWT (Cayman) for a collective cash consideration of USD25,419,356, which is subject to interest at 5% per annum with effect from 16 August 2013 up to the completion of the RWT (Cayman) SSA1 and RWT (Cayman) SSA2.

The purchase consideration for the Proposed Remaining RWT (Cayman) Acquisition is to be satisfied using part of the proceeds from the Public Issue.

The Proposed Remaining RWT (Cayman) Acquisition is conditional on the completion of the RWT (Cayman) SSA1, RWT (Cayman) SSA2 and the Offering but not vice versa.

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 Holdings Group for the periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012;

(b) The proforma consolidated statements of financial position of Ranhill Holdings Group as at 30 June 2015; and

(c) The proforma consolidated statement of cash flows of Ranhill Holdings Group for the period ended 30 June 2015.

The proforma consolidated financial information has been compiled using the audited consolidated financial statements of Ranhill Holdings, audited combined financial statement of Identified Entities and audited consolidated financial statements of RWT (Cayman).

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 Holdings Group.

For the purpose of the proforma financial consolidated statements of comprehensive income for the periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012 and the proforma consolidated statement of cash flows for the period ended 30 June 2015, Ranhill Holdings Group is assumed to have been in existence throughout the periods under review.

The proforma consolidated statements of financial position of Ranhill Holdings Group as at 30 June 2015 are prepared for illustrative purposes only to show the effects of the transactions as described in Note 2 and Note 3 with the assumption that these transactions were completed on 30 June 2015.

The proforma consolidated financial information, of which the Board of Directors of Ranhill Holdings is solely responsible and have been prepared for illustrative purposes, is not necessarily indicative of the financial position, results and cash flows of the operations of Ranhill Holdings Group that would have been attained had the Pre-Offering Reorganisation, the Offering and the Proposed Remaining RWT (Cayman) Acquisition actually occurred at the respective dates. Accordingly, such information, because of its nature may not be reflective of Ranhill Holdings Group's actual financial position and does not purport to predict the future financial position of Ranhill Holdings 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

	6 months ended 30.6.2015		6 months ended 30.6.2014		12 months ended 31.12.2014		12 months ended 31.12.2013		12 months ended 31.12.2012	
	Proforma I RM'000	**Proforma II RM'000**	**Proforma I RM'000**	**Proforma II RM'000**	**Proforma I RM'000**	**Proforma II RM'000**	**Proforma I RM'000**	**Proforma II RM'000**	**Proforma I RM'000**	**Proforma II RM'000**
Revenue	628,586	656,175	645,452	689,501	1,294,342	1,383,469	1,199,140	1,254,195	1,158,951	1,277,353
Cost of sales	(453,513)	(473,209)	(460,821)	(490,803)	(949,396)	(1,015,869)	(862,877)	(909,069)	(798,612)	(891,789)
Gross profit	175,073	182,966	184,631	198,698	344,946	367,601	336,263	345,126	360,339	385,564
Other items of income										
Interest income	31,383	41,235	31,589	39,803	62,987	80,180	65,162	79,872	65,751	81,761
Other income	3,812	8,798	3,038	3,526	6,394	12,456	40,166	42,788	4,633	5,199
Other items of expense										
Administrative expenses	(80,047)	(88,421)	(74,781)	(81,805)	(166,050)	(180,414)	(167,293)	(180,187)	(136,904)	(148,394)
Other operating expenses	(811)	(811)	(1,335)	(1,335)	(2,536)	(2,536)	(2,376)	(2,376)	(1,693)	(1,693)
Tendering and marketing expenses	(590)	(954)	(397)	(699)	(1,323)	(2,271)	(1,315)	(2,449)	(957)	(2,269)
Finance costs	(80,238)	(85,027)	(71,269)	(75,801)	(136,181)	(145,285)	(158,489)	(168,132)	(144,078)	(151,338)
Zakat	(840)	(840)	(500)	(500)	(4,874)	(4,874)	(2,197)	(2,197)	(1,961)	(1,961)
Share of results of a joint venture	4,127	195	4,880	112	9,088	405	1,609	314	8,740	153
Profit before tax	51,869	57,141	75,856	81,999	112,451	125,263	111,530	112,759	153,870	167,023
Income tax expense	(31,784)	(33,259)	(30,779)	(32,441)	(55,367)	(59,805)	(50,323)	(49,905)	(60,995)	(68,877)
Profit after tax	20,085	23,882	45,077	49,558	57,084	65,458	61,207	62,854	92,875	98,146
Other comprehensive income:										
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-	1,437	1,437	-	-
Foreign currency translation to be reclassified to profit or loss in subsequent periods	10,483	20,065	(1,368)	(3,023)	6,127	11,360	7,210	14,235	(1,320)	(2,535)
	10,483	20,065	(1,368)	(3,023)	6,127	11,360	8,647	15,672	(1,320)	(2,535)
Total comprehensive income for the period/year	30,568	43,947	43,709	46,535	63,211	76,818	69,854	78,526	91,555	95,611

Proforma consolidated financial information (contd.)

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

	6 months ended 30.6.2015		6 months ended 30.6.2014		12 months ended 31.12.2014		12 months ended 31.12.2013		12 months ended 31.12.2012	
	Proforma I RM'000	Proforma II RM'000	Proforma I RM'000	Proforma II RM'000	Proforma I RM'000	Proforma II RM'000	Proforma I RM'000	Proforma II RM'000	Proforma I RM'000	Proforma II RM'000
Profit after tax attributable to:										
Owners of the parent	5,750	9,550	24,949	29,436	20,758	29,141	24,388	26,251	49,939	57,842
Non-controlling interests	14,335	14,332	20,128	20,122	36,326	36,317	36,819	36,603	42,936	40,304
	20,085	23,882	45,077	49,558	57,084	65,458	61,207	62,854	92,875	98,146
Total comprehensive income attributable to:										
Owners of the parent	16,233	29,615	23,581	26,414	26,885	40,505	32,041	41,636	49,013	55,305
Non-controlling interests	14,335	14,332	20,128	20,121	36,326	36,313	37,813	36,890	42,542	40,306
	30,568	43,947	43,709	46,535	63,211	76,818	69,854	78,526	91,555	95,611
Earnings per share										
Profit after tax attributable to ordinary equity holders of the parent	0.01	0.01	0.04	0.03	0.04	0.03	0.04	0.03	0.09	0.06
Number of shares in issue ('000)	565,995	940,995	565,995	940,995	565,995	940,995	565,995	940,995	565,995	940,995

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 periods/years ended 30 June 2015, 30 June 2014, 31 December 2014, 31 December 2013 and 31 December 2012, the following key assumptions were made:

(a) Proforma consolidated statements of comprehensive income I (Proforma I)

Proforma I assumes the effects of the following:

(i) Pre-Offering Reorganisation (including the Transfer of Sukuk)

It is assumed that the Pre-Offering Reorganisation had been completed prior to 1 January 2012. In respect of the Sukuk, it is assumed that the novation to RCSB pursuant to the Transfer of Sukuk was completed based on the existing terms as constituted by the trust deed dated 22 April 2011, executed between Malaysian Trustees Berhad, as the trustee and RGSB, as the issuer. Accordingly, it is assumed that the total finance costs arising from the Sukuk for the respective periods/years under review are as follows:

Period/Year ended	**RM'000**
30 June 2015	27,970
30 June 2014	29,208
31 December 2014	58,312
31 December 2013	58,553
31 December 2012	58,605

(ii) Corporate expenses

It is expected that following the Pre-Offering Reorganisation, Ranhill Holdings will incur certain corporate expenses, which was previously incurred by RGSB, Ranhill Energy and Resources Sdn Bhd ("RERB") and/or Ranhill Berhad ("RB"). RGSB, RERB and RB were previously the holding companies of the RGSB Companies and RUSB Companies prior to the Internal Reorganisation, the Internal Reorganisation II and the Pre-Offering Reorganisation. Details on the Internal Reorganisation and Internal Reorganisation II and the Pre-Offering Reorganisation are as set out in Section 6.1.2 and 6.1.4 of the Prospectus.

Proforma consolidated financial information (contd.)

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

5.1 Effect on the proforma consolidated statements of comprehensive income

(a) Proforma consolidated statements of comprehensive income I (Proforma I) (contd.)

(ii) Corporate expenses (contd.)

These corporate expenses primarily consist of staff related costs and rental costs. For the purpose of this proforma, it is assumed that Ranhill Holdings had incurred such corporate expenses as the holding company of the RGSB Companies and RUSB Companies for the respective periods/years as follows:

Period/Year ended	**RM'000**
30 June 2015	7,177
30 June 2014	6,170
31 December 2014	11,714
31 December 2013	11,738
31 December 2012	8,919

(b) Proforma consolidated statements of comprehensive income II (Proforma II)

Proforma II incorporates the effects of Proforma I and assumes that the Offering and Proposed Remaining RWT (Cayman) Acquisition had been completed prior to 1 January 2012. Accordingly, RWT (Cayman) is assumed to be a wholly owned subsidiary of Ranhill Holdings Group for the respective periods/years prior to 1 January 2012 and onwards.

Proforma consolidated financial information (contd.)

6. Proforma consolidated statements of financial position

	Audited 30.6.2015 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	-	567,940	567,940		567,940	1,730	569,670
Operating financial assets	-		-		-	452,412	452,412
Service concession assets	-	757,092	757,092		757,092		757,092
Intangible assets	-	298,516	298,516		298,516	428	298,944
Finance lease receivables	-	613,015	613,015		613,015		613,015
Deferred tax assets	-	263,147	263,147		263,147	1,989	265,136
Investment in a joint venture	-	137,763	137,763		137,763	(123,828)	13,935
Trade and other receivables	-	73,011	73,011		73,011	257	73,268
	-		2,710,484		2,710,484		3,043,472
Current assets							
Operating financial assets	-		-		-	21,578	21,578
Finance lease receivables	-	36,684	36,684		36,684		36,684
Trade and other receivables	6,393	273,365	279,758	(5,871)	273,887	(17,522)	256,365
Inventories	-	80,043	80,043		80,043	553	80,596
Tax recoverable	-	987	987		987	190	1,177
Other current assets	-	23,979	23,979		23,979	3,012	26,991
Other financial assets	-	29,987	29,987		29,987		29,987
Deposits, cash and bank balances	- *	433,519	433,519	266,100	699,619	(119,002)	580,617
	6,393		884,957		1,145,186		1,033,995
Total assets	6,393		3,595,441		3,855,670		4,077,467

Proforma consolidated financial information (contd.)

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

	Audited 30.6.2015 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	- *	565,995	565,995	375,000	940,995		940,995
Share premium	-	339,597	339,597	236,600	576,197		576,197
Other reserves	-	289,930	289,930		289,930		289,930
Currency translation reserves	-	18,172	18,172		18,172	(18,172)	-
Equity component of convertible unsecured loan stock	-	2,657	2,657		2,657		2,657
Retained earnings	(10,929)	197,372	186,443	(15,913)	170,530	19,759	190,289
Merger deficit	-	(1,204,333)	(1,204,333)		(1,204,333)		(1,204,333)
	(10,929)		198,461		794,148		795,735
Non-controlling interests	-	210,573	210,573		210,573		210,573
Total equity	(10,929)		409,034		1,004,721		1,006,308
Non-current liabilities							
Retirement benefit obligations	-	84,729	84,729		84,729		84,729
Finance lease payables	-	3,022	3,022		3,022	25	3,047
Long term borrowings	-	1,493,661	1,493,661	(263,964)	1,229,697	118,459	1,348,156
Trade and other payables	-	5,893	5,893		5,893	109	6,002
Consumer deposits	-	164,667	164,667		164,667		164,667
Deferred tax liabilities	-	51,631	51,631		51,631	14,595	66,226
Service concession obligations	-	477,331	477,331		477,331		477,331
	-		2,280,934		2,016,970		2,150,158

Proforma consolidated financial information (contd.)

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

	Audited 30.6.2015 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	-	8,072	8,072		8,072		8,072
Finance lease payables	-	1,262	1,262		1,262	27	1,289
Short term borrowings	-	139,322	139,322	(55,580)	83,742	24,872	108,614
Zakat	-	8,442	8,442		8,442		8,442
Trade and other payables	17,322	380,292	397,614	(15,914)	381,700	59,752	441,452
Other current liability	-	2,558	2,558		2,558	945	3,503
Service concession obligations	-	345,455	345,455		345,455		345,455
Tax payable	-	2,748	2,748		2,748	1,426	4,174
	17,322		905,473		833,979		921,001
Total liabilities	17,322		3,186,407		2,850,949		3,071,159
Total equity and liabilities	6,393		3,595,441		3,855,670		4,077,467
Number of shares in issue ('000)	- *		565,995		940,995		940,995
Net assets (excluding Non-controlling interests) (RM'000)	(10,929)		198,461		794,148		795,735
Net assets per share (RM)	(5,464,500)		0.35		0.84		0.85

* The issued and paid up share capital of Ranhill Holdings before proforma adjustment is RM2, comprising of 2 Ranhill Holdings shares only.

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 effects of the Pre-Offering Reorganisation which consists of the Scheme of Arrangement, RGSB Companies Acquisition (including the Transfer of Sukuk), RUSB Companies Acquisition, MBO and the RWorley Call Option (but not the exercise thereof), and the Transfer of Listing Status.

The Pre-Offering Reorganisation is regarded as a reverse acquisition involving a non-trading shell company. Accordingly, it is accounted for as a continuation of the financial statements of RGSB Companies and RUSB Companies collectively via Ranhill Holdings ("Ranhill Entities").

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

The combination of Ranhill Entities fall under the scope of business combination under common control and accordingly accounted for using the pooling of interest method.

Under the pooling of interest method:

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

(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.

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.)

Included in the retained earnings of Proforma I is an amount of RM45,591,944, representing the assumed cost of assuming the listing status of Symphony pursuant to the Pre-Offering Reorganisation and the Transfer of Listing Status.

The amount is derived from the difference between the assumed cost of acquiring Symphony as a non-trading shell company of RM105,591,944 (determined based on the assumed fair value of Ranhill Holdings shares of RM1.60 per share. The final determination of the fair value may differ significantly from what is reflected in this proforma consolidated statements of financial position) and the RM60million cash consideration for the MBO.

For the purpose of this Proforma, the Transfer of Sukuk pursuant to the RGSB Companies Acquisition is assumed to be novated based on the existing terms as constituted by the trust deed dated 22 April 2011, executed between Malaysian Trustees Berhad, as the trustee and RGSB, as the issuer. It is also assumed that the amount novated is RM734,425,094. The actual transaction will be recognised based on the fair value of the Sukuk at the date of the completion of the novation based on the agreed terms.

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

Proforma II incorporates the effects of Proforma I, and the offer for sale of up to 100,000,000 existing Ranhill Holdings Shares ("OFS") and a public issue of up to 375,000,000 new Ranhill Holdings Shares ("Public Issue") at an assumed issue price of RM1.70 per Ranhill Holdings Share ("Offering").

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

	RM'000
Deposits, cash and bank balances as at 30 June 2015 (Proforma I)	433,519
Estimated proceeds from the Public Issue	637,500
	1,071,019
Full redemption of the Islamic Medium Term Notes in RPI	(220,000)
Partial redemption of the Sukuk	(100,000)
Estimated expenses for the listing and Offering	(51,400)
Deposits, cash and bank balances as at 30 June 2015 (Proforma II)	699,619

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.)

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

It is assumed that the full redemption of the Islamic Medium Term Notes in RPI and the partial redemption of the Sukuk will result in a net loss of RM455,767 which has been reflected in retained earnings.

Total expenses associated to the listing and Offering are estimated to be RM51,400,000, of which RM15,914,000 had been incurred by Ranhill Holdings Group as at 30 June 2015. Of the expenses already incurred, RM10,043,000 were reflected in retained earnings while the balance of RM5,871,000 were reflected in other receivables which are to be written off against suitable reserves arising from issuance of new shares in relation to the Offering.

For the purpose of this proforma consolidated statement of financial position, RM25,900,000 of the total expenses are reflected within equity, while the remaining are reflected within retained earnings.

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

Proforma III incorporates the effects of Proforma I and II, and the Proposed Remaining RWT (Cayman) Acquisition at an assumed purchase consideration in cash of RM125,000,000*. Ranhill Holdings will utilise part of the proceeds from the Public Issue to satisfy the purchase consideration as further illustrated in Note 7.1(b) below. Upon the completion of the acquisition, RWT (Cayman) will become a wholly owned subsidiary of Ranhill Holdings.

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

	RM
Purchase consideration	125,000,000*
Fair value of investment retained	137,763,092**
Fair value of net assets acquired	(264,350,000)^
Negative goodwill, reflected in retained earnings	(1,586,908)

* The final determination of the total purchase consideration will depend on the actual completion date and the prevailing foreign exchange rate between USD and RM as of that date, which may differ significantly from what is reflected in this proforma consolidated statements of financial position.

** The fair value of investment retained is assumed to be 52.1% of the net assets of RWT (Cayman) Group as at 30 June 2015. The final determination of the fair value 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)

^ 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/negative goodwill may differ significantly from what is reflected in this proforma consolidated statements of financial position.

As the Proposed Remaining RWT (Cayman) Acquisition is conditional on the Offering, the adjustments relating to Proforma II and Proforma III should be read together.

Proforma consolidated financial information (contd.)

7. Proforma consolidated statement of cash flows

	6 months ended 30.6.2015 RM'000
Cash flows from operating activities	
Profit before taxation	57,141
Adjustments for:	
Depreciation of property, plant and equipment	23,307
Net gain on disposal of property, plant and equipment	(89)
Property, plant and equipment written off	8
Amortisation of service concession asset	151,419
Amortisation of intangible assets	1,283
Share of results of a joint venture	(195)
Provision for retirement benefit plan	4,470
Zakat	840
Provision for liquidated ascertained damages	2,014
Net unrealised foreign exchange gain	(4,861)
Allowance for impairments	646
Interest income	(41,235)
Interest expense	85,027
Operating profit before working capital changes	279,775
Receivable	(39,507)
Payables	(62,496)
Inventories	(6,385)
Finance lease receivables	42,084
Operating financial assets	(790)
Other current liability	(29)
Other current asset	(8,732)
Cash generated from operations	203,920
Retirement benefits plan paid	(3,295)
Zakat paid	(340)
Tax paid	(4,654)
Repayments of lease rental payable to PAAB	(104,670)
Net cash generated from operating activities	90,961

Proforma consolidated financial information (contd.)

7. Proforma consolidated statement of cash flows (contd.)

	6 months ended 30.6.2015 RM'000
Cash flows from investing activities	
Purchase of property, plant and equipment	(10,325)
Purchase of intangible assets	(57)
Proceeds from disposal of property, plant and equipment	147
Investment in investment in Islamic managed funds	(6,178)
Proceeds from the MBO	60,000
Acquisition of additional interest in RWT Cayman ("Proposed Remaining RWT (Cayman) Acquisition")	(125,000)
Interest received	6,673
Net cash used in investing activities	(74,740)
Cash flows from financing activities	
Proceeds from borrowings	19,325
Finance lease principal repayments	(648)
Net fixed deposits withdrawn from banking facilities	26,448
Repayment of borrowings	(440,342)
Dividends paid	(65,000)
Interest paid	(72,883)
Estimated proceeds from the Public Issue	637,500
Estimated expenses for the listing and Offering	(51,400)
Net cash generated from in financing activities	53,000
Net increase in cash and cash equivalents	69,221
Cash and cash equivalents at beginning of the period	255,944
Effect of foreign exchange rate changes	(44)
Cash and cash equivalents at end of the period	325,121

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	191,084
Short term deposits with:	
- Licensed banks	327,805
- Other financial institutions	2,674
	521,563
Deposits pledged as securities to licensed banks	(2,187)
Restricted cash and bank balances	(187,720)
Deposits with maturities of three months or more	(2,047)
Bank overdrafts	(4,488)
Cash and cash equivalents	325,121

Proforma consolidated financial information (contd.)

7. Proforma consolidated statement of cash flows (contd.)

7.1 Effect on the proforma consolidated statement of cash flows

In arriving at the proforma consolidated statement of cash flow for the period ended 30 June 2015, the following key assumptions were made:

(a) Pre-Offering Reorganisation

It is assumed that the Pre-Offering Reorganisation (including the Transfer of Sukuk) had been completed on 1 January 2015. In respect of the Sukuk, it is assumed that the novation was completed based on the existing terms as constituted by the trust deed dated 22 April 2011, executed between Malaysian Trustees Berhad, as the trustee and RGSB, as the issuer.

For the purpose of this Proforma, it is assumed that the total principal and interest repayments for the period ended 30 June 2015 are RM25,000,000 and RM34,054,345 respectively.

(b) Estimated proceeds from the Public Issue and its utilisation

It is assumed that the estimated proceeds from the Public Issue of RM637,500,000 is proposed to be utilised as follows:

	RM'000
Full redemption of Islamic Medium Term Notes in RPI	220,000
Partial redemption of the Sukuk	100,000
Proposed Remaining RWT (Cayman) Acquisition	125,000 *
Expansion of environment (water) business in China	75,000
Estimated expenses for the listing and Offering	51,400
Working capital	66,100
	637,500

* Any surplus/shortfall between this amount and the actual settlement for the Proposed Remaining RWT (Cayman) Acquisition based on the terms as mentioned in Note 3 of this report will be used from/to working capital accordingly.

(c) Proposed Remaining RWT (Cayman) Acquisition

It is assumed that the Proposed Remaining RWT (Cayman) Acquisition had been completed on 1 January 2015. Accordingly, RWT (Cayman) is assumed to be a wholly owned subsidiary of Ranhill Holdings for the period from 1 January 2015 onwards. For the purpose of this proforma consolidated statement of cash flow, it is assumed that the purchase consideration for the Proposed Remaining (Cayman) Acquisition is RM125,000,000.

10.6 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 and joint venture. The payment of dividends by our Subsidiaries and joint venture 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 RCSB's Sukuk (which was assumed pursuant to the Transfer of Sukuk) which in turn will facilitate future dividend payouts.

In this respect, our Board intends to recommend a dividend payout of a minimum of 70% of the Company's profit attributable to our equity holders for the year ending 31 December 2016.

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.

10.7 Debt covenants

The following debt covenants under our Group's credit facilities may restrict future dividend declarations and payments:

Issuer/ Borrower	Instrument	Negative covenant under facility
RPI	Bank guarantee facility of up to RM5.0 million	**Undertakings** RPI will not, without Malayan Banking Berhad's prior written consent, declare or pay any dividends (including declared but currently unpaid dividends) to RPI's shareholders.
RPII	Guarantees Facility Agreement (Islamic) in relation to the total facility amount of RM40.5 million comprising of (i) Guarantee I - facility of RM13.5 million; (ii) Guarantee II/Letter of Credit (Islamic) - facility of RM13.0 million and (iii) Guarantee III - facility of RM14.0 million	**Negative covenants** Unless otherwise consented to in writing by Maybank Investment Bank Berhad (as Guarantees Facility Agent) and as instructed by the Majority Financiers, RPII shall not: (a) declare or pay any dividends; or (b) make any principal and interest payment on subordinated loans/advances, unless the following conditions have been satisfied and confirmed by the Guarantees Facility Agent to RPII: (i) in the case of payment of dividends declared by RPII or repayment of principal on subordinated loans/advances, upon achievement of the CCOD (which should occur no later than the CCSCOD) and upon payment of the first principal instalment due under the CMTF-I Facility (for the avoidance of doubt, this sub-paragraph (i) is not applicable to the payment of interest on subordinated loans/advances); (ii) compliance with the requirements set out under the Assignment and Charge II for the PSRA and PA; (iii) the Financing-to-Equity Ration to be maintained at the stipulated ratio not exceeding 70:30, if calculated immediately following such payment or distribution of dividend;

Issuer/ Borrower	Instrument	Negative covenant under facility
		(iv) the Finance Service Cover Ratio ("FSCR") of more than 2.25 times prior to and 2.00 times immediately after the payment; (v) no Event of Default has occurred or is continuing.
RPII	IMTN of up to RM710.0 million in nominal value ("**IMTN Programme**")	<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; (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*

Issuer/ Borrower	Instrument	Negative covenant under facility
		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 include (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.*
RCSB	• 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	<u>Negative covenants</u> RCSB and the Company (with the exception of item (B) below) covenants and agrees that as long as the Guarantee Facilities remains available and any monies remains payable under the Guarantee Facilities, it shall not without the written consent of Maybank Islamic Berhad and Danajamin Nasional Berhad ("Guarantors") first had and obtained: (A) permit, to create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any of the subsidiaries to pay dividends or make any other distributions whether income or capital in nature to RCSB or the Company; (B) 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 its shareholders, subsidiaries or associated companies ("**Payment**") obtained before a date as may be agreed between RCSB and the Guarantors unless all the following conditions are met: (i) no event of default or dissolution event (if applicable) (or event or condition which, with the giving of

Issuer/ Borrower	Instrument	Negative covenant under facility
		notice, the passage of time, or both, would become an event of default or dissolution event (if applicable)) shall have occurred and be continuing on the date any Distributions or Payment is to be made; (ii) the relevant Financial Covenants (as defined below) will not be breached after the proposed distribution or payment; (iii) the Distributions is not more than 90% of RCSB's current year's PAT at company level. For the avoidance of doubt, item (B) above is applicable to RCSB only. "**Financial Covenants**" refer to the following: (i) Finance Service Cover Ratio ("**FSCR**"): RCSB shall procure and ensure that the FSCR shall not be lower than 2.0 times at all times; and (ii) Debt to Equity ratio: RCSB group is to maintain a debt to equity ratio of not more than 1.0 time on a consolidated basis at all times. RCSB shall inform the Guarantors of any additional borrowings (including non-recourse borrowings) incurred by the RCSB group; and (iii) Ranhill Holdings Group's Interest Cover Ratio: RCSB shall ensure and procure Ranhill Holdings to comply with a minimum interest cover ratio of 2.0 times at Ranhill Holdings Group level. ***Notes:*** ***Available Cashflow*** *means in any annual period, the sum of:* *(a) all dividend income received by RCSB any other receipts of a capital or revenue nature;* *(b) all distribution, returns and realised gains received by RCSB;* *(c) all opening credit balances in the Designated Accounts including accrued Periodic Distribution retained in the RCSB Finance Payment Account or the RCSB Finance Service Reserve Account;*

Issuer/ Borrower	Instrument	Negative covenant under facility
		(d) proceeds of takaful/insurance claims received by RCSB; *(e) net advances from subsidiaries;* *(f) proceeds from issuance of equity instruments by RCSB;* *less* *(a) the total amount spent on management, administration, and operation of RCSB;* *(b) taxes paid or such other contributions paid by RCSB to the Government of Malaysia;* *(c) capital expenditure incurred, investments in subsidiaries/associates/joint venture; and* *(d) any payments made by RCSB under any other contract or agreement.* *Available Cashflow shall be computed based on RCSB's latest audited accounts.* ***FSCR** shall mean the ratio of RCSB's available cashflow to the aggregate of:* *(i) all periodic distribution under the terms of the Sukuk and the obligations with respect to the principal amount which will become due on the maturity date of the Sukuk and the guarantee fees payable by RCSB to the Guarantors in the current twelve (12) months; and* *(ii) all principal and profit/interest obligations payable by RCSB under any other borrowings in the current twelve (12) months, save and except for subordinated debt obligation between RCSB and its shareholders/subsidiaries.* ***Debt** means the borrowings of RCSB's group, excluding non-recourse financing.* ***Equity** means RCSB's group's shareholders' fund or total equity excluding (i) goodwill and (ii) intangible assets save for the intangible assets of SAJH (which are currently classified as Service Concession Assets in RCSB's Balance Sheet).* ***Interest Cover Ratio** means the consolidated EBITDA over the consolidated all profit, interest and finance charges paid by Ranhill Holdings at the group level.*

Issuer/ Borrower	Instrument	Negative covenant under facility
RWSB	Banking facilities of up to RM23.0 million comprising of (i) overdraft facility of RM1.0 million, (ii) revolving credit of RM2.0 million and (iii) bankers guarantee of RM20.0 million.	**Negative covenants** The Borrower covenants with the bank that during the continuance of the facility agreement, it shall not and shall ensure that the security party shall not, without the prior written consent of the bank, repay or redeem any share capital or declare or pay any dividend or make any distributions of profit.

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11.1 Accountants' Report on Ranhill

EY
Building a better working world

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GST Reg No: 001556430848
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Accountants' Report on Ranhill Holdings Berhad

The Board of Directors
Ranhill Holdings Berhad
Level 15, Wisma Perkeso
No 155, Jalan Tun Razak
50450 Kuala Lumpur

Dear Sirs,

**Accountants' Report on the Consolidated Financial Statements
Ranhill Holdings Berhad**

Report on the consolidated financial statements

We have audited the consolidated financial statements of Ranhill Holdings Berhad and its subsidiary (the "Group") , which comprise the consolidated statements of financial position of the Group as at 30 June 2015 and 31 December 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the periods then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 21.

Directors' responsibility

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

Auditors' responsibility

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

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Building a better working world

Accountants' Report on the Consolidated Financial Statements (contd.)
Ranhill Holdings Berhad

Auditors' responsibility (contd.)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015 and 31 December 2014, and of their financial performance and cash flows for the periods then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other matters

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the proposed offering and listing of Ranhill Holdings Berhad's shares on Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. Our work had been carried out in accordance with the approved standards on auditing in Malaysia and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions.

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
16 DEC 2015

Ranhill Holdings Berhad
(Incorporated in Malaysia)

Consolidated statements of comprehensive income

	Note	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Revenue	3	487	-
Cost of sales		(418)	-
Gross profit		69	-
Administrative expenses		(3,668)	(7,330)
Loss before tax	4	(3,599)	(7,330)
Taxation	6	-	-
Loss net of tax, representing total comprehensive loss for the period		(3,599)	(7,330)
Earnings per share			
Loss after tax attributable to ordinary equity holders of the parent	7	(1,800)	(3,665)

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

Consolidated statements of financial position

	Note	30.6.2015 RM'000	31.12.2014 RM'000
Current assets			
Other receivables	9	6,393	4,394
Cash on hand		-*	-*
		6,393	4,394
Total assets		6,393	4,394
Current liabilities			
Trade and other payables	10	17,322	11,724
Net liabilities		(10,929)	(7,330)
Equity attributable to owners of the parent			
Share capital	11	-*	-*
Accumulated losses		(10,929)	(7,330)
Shareholder's deficit		(10,929)	(7,330)

* Representing RM2.

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

Consolidated statements of changes in equity

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2015	-*	(7,330)	(7,330)
Total comprehensive losses for the period	-	(3,599)	(3,599)
At 30 June 2015	-*	(10,929)	(10,929)
At 28 April 2014 - date of incorporation	-*	-	-*
Total comprehensive losses for the period	-	(7,330)	(7,330)
At 31 December 2014	-*	(7,330)	(7,330)

* Representing RM2.

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

Consolidated statements of cash flows

	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Cash flows from operating activities		
Loss before tax, representing operating loss before working capital changes	(3,599)	(7,330)
Changes in working capital		
Receivable	(1,999)	(4,394)
Payables	5,598	11,724
Cash from operations, representing net cash from operating activities	-	-
Net cash and cash equivalent	-	-
Cash and cash equivalents at beginning of period/date of incorporation	-*	-*
Cash and cash equivalents at end of period	-*	-*

* Representing RM2.

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information

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

Ranhill Holdings Berhad was incorporated on 28 April 2014 as an investment holding company. The principal activity of the subsidiary is set out in Note 8.

As at the date of this report, the immediate and ultimate holding company is Ranhill Energy and Resources Sdn. Bhd., a company incorporated in Malaysia. Related companies refer to companies within the Ranhill Energy and Resources Sdn. Bhd. group.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

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

2.2 Changes in accounting policies

The accounting policies adopted by the Group are consistent throughout the financial period other than the adoption of new and amended MFRSs and IC Interpretations mandatory for the respective financial periods. The effect of the adoption of these new and amended MFRSs and IC Interpretations have been reflected and applied in this consolidated financial statements in accordance with the respective pronouncements, including any transitional provisions set out.

The adoption of these new and amended MFRSs and IC Interpretations did not have any significant effect on the financial performance or position of the Group.

2.3 Standards issued but not yet effective

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

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

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

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

The Annual Improvements to MFRSs 2012-2014 Cycle which are relevant to the Group are summarised as below. The directors of the Group do not anticipate that the application of these amendments will have a significant impact on the Group's Financial Statements.

(i) MFRS 7 Financial Instruments: Disclosures

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

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

Ranhill Holdings Berhad
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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Amendments to MFRS 101: Disclosure Initiatives

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

(a) Materiality
(b) Disaggregation and subtotals
(c) Notes structure
(d) Disclosure of accounting policies
(e) Presentation of items of other comprehensive income arising from equity accounted investments

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

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated.

In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

MFRS 9 Financial Instruments

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 9 Financial Instruments (contd.)

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

2.4 Basis of consolidation

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

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

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

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

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

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

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Business combinations

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

Ranhill Holdings Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation

Business combinations (contd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of MFRS 139, is measured at fair value with the change in fair value recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

Ranhill Holdings Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.6 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group 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 recorded at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables, classified as current assets. All financial assets of the Group are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

2.7 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables 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 of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in economic conditions.

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

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

If in a subsequent period, the amount of the impairment loss decreases as a result of 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.

Ranhill Holdings Berhad
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2. Summary of significant accounting policies (contd.)

2.8 Provisions

Provisions are recognised when the Group 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 in profit or loss as a finance cost.

2.9 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group 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.

Other 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.

2.10 Income taxes

(a) 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.

Ranhill Holdings Berhad
(Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.10 Income taxes (contd.)

(b) Deferred tax

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

Deferred tax 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.

2.11 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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.

3. Revenue

Revenue comprises rental of premises and office furnishings to related companies.

4. Loss before tax

The following amounts have been included in arriving at loss before tax:

	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Directors' remuneration (Note 5)	27	45
Auditors' remuneration	15	15
Operating lease rental for building	604	-
Professional fees	2,863	7,220

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5. Directors' remuneration

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

	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Executive Directors:		
Fees *	27	45

* Represents professional fees paid to a third party where the directors of the Group are employees.

6. Taxation

There is no tax charge for the period as the Group is in a tax loss position.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the period. The statutory tax rate will be reduced to 24% from the current period's rate of 25%, effective year of assessment 2016.

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 the Group is as follows:

	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Loss before tax	(3,599)	(7,330)
Taxation at Malaysian statutory tax rate of 25%	(900)	(1,833)
Expenses not deductible for tax purposes	900	1,833
	-	-

7. Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Ranhill Holdings Berhad
(Incorporated in Malaysia)

8. Details of a subsidiary

Details of Ranhill Holdings Berhad's subsidiary are as follows:

Name	% of ownership interest held by the Group* 30.06.2015	31.12.2014	Principal activity
Ranhill Capital Sdn. Bhd. (Incorporated in Malaysia)	100	100	Investment holding company and provision of management services to its related companies.

* equal to the proportion of voting rights held

9. Other receivables

	30.06.2015 RM'000	31.12.2014 RM'000
Current		
Amounts due from related companies (Note a)	501	-
Deferred transaction costs (Note b)	5,871	4,394
Sundry receivable	21	-
	6,393	4,394

(a) Amounts due from related companies

Amounts due from related companies are unsecured, interest-free and repayable on demand.

(b) Deferred transaction costs

The Group incurred expenses in relation to the transactions as disclosed in Note 16. Deferred transaction costs represent the expenses incurred in respect of the proposed issuance of new shares of Ranhill Holdings Berhad. These costs will be written off against suitable reserves arising from the proposed issuance of Ranhill Holdings Berhad's new shares as part of the transactions.

Ranhill Holdings Berhad
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10. Trade and other payables

	30.06.2015 RM'000	31.12.2014 RM'000
Current		
Trade payables	97	-
Other payables	2,411	1,522
Accruals	11,525	8,354
Amounts due to holding company (Note a)	-^	-^^
Amounts due to related companies (Note a)	3,289	1,848
Total financial liabilities carried at amortised cost	17,322	11,724

^ Representing RM380.
^^ Representing RM300.

(a) Amounts due to holding company and related companies

The amounts due to holding company and related companies are unsecured, interest-free and are repayable on demand.

11. Share capital

	Number of ordinary shares of RM1 each		Amount	
	30.06.2015	31.12.2014	30.06.2015 RM'000	31.12.2014 RM'000
Authorised:				
At beginning/end of period	400,000	400,000	400	400
Issued and fully paid:				
At beginning/end of period	-*	-*	-*	-*

* Representing RM2.

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 Group. All ordinary shares rank equally with regard to the Group's residual assets.

Ranhill Holdings Berhad
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12. Related parties transactions

The related parties and their relationship with the Group are as follows:

Related parties	Relationship
Ranhill Powertron Sdn. Bhd.	Related company
Ranhill Utilities Sdn. Bhd.	Related company

(a) Rental charges during the period:

	1.1.2015 to 30.6.2015 RM'000	28.4.2014 to 31.12.2014 RM'000
Rental charge to:		
- Ranhill Powertron Sdn. Bhd.	165	-
- Ranhill Utilities Sdn. Bhd.	322	-

(b) Compensation of key management personnel

The remuneration of the key management personnel of a third party who are the directors of the Group is disclosed in Note 5.

13. Operating lease commitments

(a) Operating lease commitments as lessee

	30.6.2015 RM'000	31.12.2014 RM'000
Future minimum rentals payable:		
- not later than 1 year	2,387	-
- later than 1 year not later than 5 years	3,580	-
	5,967	-

(b) Operating lease commitments as lessor

	30.6.2015 RM'000	31.12.2014 RM'000
Future minimum rentals receivable:		
- not later than 1 year	1,032	-
- later than 1 year not later than 5 years	1,548	-
	2,580	-

Ranhill Holdings Berhad
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14. Fair value

The carrying amounts of all financial assets and liabilities of the Group are reasonable approximation of their fair values due to their short-term nature or repayment on demand term.

15. Financial risk management and capital management

The Group's key risk arises principally from its financial liabilities which mainly comprises other payables, accruals and amounts due to related companies. This exposes the Group to liquidity risk; the risk that the Group will encounter difficulties in meeting its financial obligations.

The Board of Directors reviews and agrees policies and procedures for the management of this liquidity risk which influence the primary objective of the Group's capital management. The capital of the Group includes equity attributable to the equity holders. In this regard, the Company's policies and procedures involve obtaining funding from its holding company to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

16. Significant events

(i) On 20 June 2014 the Company and Symphony House Berhad ("Symphony"), entered into a scheme of arrangement (including a supplemental agreement dated 28 November 2014) for the exchange of the entire issued and paid-up ordinary shares of RM0.10 each in Symphony for the Company's shares on the basis of 1 of the Company's shares for every 10 existing Symphony shares held. ("Proposed Scheme of Arrangement")

(ii) On 20 June 2014, the Company entered into a Share Sale Agreement ("SSA") with Ranhill Group Sdn. Bhd. ("RGSB") (including a supplemental share sale agreement dated 28 November 2014) for the Company to acquire 60% equity interest in Ranhill Powertron Sdn. Bhd. and Ranhill Power O&M Sdn. Bhd., 80% equity interest in Ranhill Powertron II Sdn. Bhd. and Ranhill Power II O&M Sdn. Bhd. and 100% equity interest in Ranhill Power Services Sdn. Bhd. (collectively "RGSB Companies"), representing RGSB's entire shareholding in the RGSB Companies for a total purchase consideration of RM107,000,000, to be satisfied by the issuance of 66,875,000 new shares of the Company at an issue price of RM1.60 per share. ("Proposed RGSB Companies Acquisition")

The Company also entered into a SSA with Ranhill Utilities Sdn. Bhd. ("RUSB") (including a supplemental share sale agreement dated 28 November 2014) for the Company to acquire 80% equity interest in SAJ Holdings Sdn. Bhd., 52.1% equity interest in Ranhill Water Technologies (Cayman) Limited ("RWT (Cayman)") and 100% equity interest in Ranhill Water Services Sdn. Bhd. (collectively "RUSB Companies"), representing RUSB's entire shareholding in the RUSB Companies for a total purchase consideration of RM693,000,000, to be satisfied by the issuance of 433,125,000 new shares of the Company at an issue price of RM1.60 per share. ("Proposed RUSB Companies Acquisition")

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16. Significant events (contd.)

Pursuant to the Proposed RGSB Companies Acquisition, Ranhill Capital Sdn. Bhd. ("RCSB"), a wholly-owned subsidiary of the Company will assume the Sukuk ("Proposed Transfer of Sukuk"). The Sukuk is an existing RM800 million Islamic medium term notes duly issued by RGSB and constituted by a trust deed dated 22 April 2011. The Proposed Transfer of Sukuk will be effected via a novation of the Sukuk by RGSB to the RCSB, based on the terms to be agreed between the Guarantors of the Sukuk and RGSB.

(iii) On 20 June 2014, the Company entered into a SSA with Stone Equity Sdn. Bhd. for the Company to sell all the equity interest in Symphony through a management buy-out ("MBO"), after completion of the Proposed Scheme of Arrangement, for a cash consideration of RM60,000,000.

(iv) On 20 June 2014, the Company entered into a Call Option Agreement with RGSB (including a supplemental agreement dated 22 April 2015) whereby RGSB grants the Company the option to acquire RGSB's entire 51.0% equity interest in Ranhill WorleyParsons Sdn. Bhd. ("RWorley") ("Option Shares") at a call option price which shall be mutually determined by the Company and RGSB upon the exercise of the call option and after the conclusion of the due diligence carried out on RWorley by the Company. The call option is exercisable within a period of 3 to 18 months from the completion of the Proposed Offering, which involves an offer for sale of up to 100,000,000 existing shares of the Company and a public issue of up to 375,000,000 new shares of the Company. The call option price shall be satisfied partly in cash and partly by the issuance and allotment of the Company's shares to RGSB (or its nominees) on completion, at an issue price and proportion to be mutually agreed between the Company and RGSB upon the exercise of the Call Option. ("Proposed RWorley Call Option")

(v) The Company proposes to assume the listing status of Symphony and thereafter the admission of the Company to, and the withdrawal of Symphony from, the Official List of Bursa Securities with the listing of and quotation for its entire enlarged issued and paid up share capital of up to RM940,994,967 comprising 940,994,967 shares of the Company on the Main Market of Bursa Securities.

(vi) The RUSB SSA between the Company and RUSB in Note 16(ii) also entails the proposed acquisition of the remaining 47.9% equity interest in RWT (Cayman) for a cash consideration of USD25,419,356, which is subject to interest at 5% per annum with effect from 16 August 2013 up to the completion of RWT (Cayman) SSA 1 and RWT (Cayman) SSA 2 (as defined below).

RUSB had earlier entered into two SSAs, being the RWT (Cayman) SSA1 with Robinson Investments Limited on 12 June 2014 and the RWT (Cayman) SSA2 with the RWT (Cayman) Vendors (comprising Sierra Master (M) Sdn Bhd, Ahmad Zahdi Jamil, Koh Boon Sian, Faizal Othman and Soon Tet Heng) on 16 June 2014, to acquire all the remaining 47.9% equity interest in RWT (Cayman) for a collective cash consideration of USD25,419,356, which is subject to interest at 5% per annum with effect from 16 August 2013 up to the completion of the RWT (Cayman) SSA1 and RWT (Cayman) SSA2.

As at the date of this report, all the transactions mentioned above have been completed.

Ranhill Holdings Berhad
(Incorporated in Malaysia)

17. Event subsequent to reporting date

On 11 November 2015, the Company increased its authorised share capital from RM400,000 to RM2,000,000,000 by creation of 1,999,600,000 ordinary shares of RM1.00 each.

18. Comparatives

No statement of comprehensive income, statement of changes in equity, statement of cash flows and their related notes are presented for the comparable interim period ended 30 June 2014 as the Group came into existence only on 25 November 2014 upon the acquisition of Ranhill Capital Sdn. Bhd. on the same date.

11.2 Accountants' Report on the Identified Entities

EY
Building a better working world

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Accountants' Report on Identified Entities

The Board of Directors
Ranhill Holdings Berhad
Level 15, Wisma Perkeso
No 155 Jalan Tun Razak
50400 Kuala Lumpur

Dear Sirs

Accountants' Report on the Combined Financial Statements
Identified Entities

Report on the combined financial statements

We have audited the combined financial statements of Identified Entities (the "Group") (as defined in Note 1 to the combined financial statements), which comprise the combined statements of financial position of the Group as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012, and the related combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the period/years then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 3 to 113.

Directors' responsibility

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

Auditors' responsibility

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

Building a better working world

Accountants' Report on the Combined Financial Statements (contd.) Identified Entities

Auditors' responsibility (contd.)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of combined financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012, and of the related financial performance and cash flows for the period/years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other matters

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the proposed offering and listing of Ranhill Holdings Berhad's shares on Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. Our work had been carried out in accordance with the approved standards on auditing in Malaysia and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
1 December 2015

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

Identified Entities

Combined Statements of Comprehensive Income

	Note	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Revenue	4	628,264	645,452	1,294,342	1,199,140	1,158,951
Cost of sales	5	(453,095)	(460,821)	(949,396)	(862,877)	(798,612)
Gross profit		175,169	184,631	344,946	336,263	360,339
Other items of income						
Interest income	6	31,383	31,589	62,987	65,162	65,751
Other income	7	3,812	3,038	6,394	40,166	4,633
Other items of expense						
Administrative expenses		(69,367)	(68,596)	(147,005)	(155,555)	(127,985)
Other operating expenses		(811)	(1,335)	(2,536)	(2,376)	(1,693)
Tendering and marketing expenses		(590)	(393)	(1,323)	(1,315)	(957)
Finance costs	8	(52,267)	(42,061)	(77,869)	(99,936)	(85,473)
Zakat		(840)	(500)	(4,874)	(2,197)	(1,961)
Share of profit of a joint venture		4,127	4,880	9,088	1,609	8,740
Profit before tax	9	90,616	111,253	189,808	181,821	221,394
Income tax expense	12	(31,784)	(30,783)	(55,367)	(50,323)	(60,995)
Profit net of tax		58,832	80,470	134,441	131,498	160,399
Other comprehensive income:						
Remeasurement gain on defined benefit plan not to be reclassified to profit or loss in subsequent periods		-	-	-	1,437	-
Foreign currency translation to be reclassified to profit or loss in subsequent periods		10,483	(1,368)	6,127	7,210	(1,320)
Other comprehensive income/ (loss) for the period/year, net of tax		10,483	(1,368)	6,127	8,647	(1,320)
Total comprehensive income for the period/year		69,315	79,102	140,568	140,145	159,079
Profit net of tax attributable to:						
Owners of the parent		44,497	60,342	98,114	84,647	94,091
Non-controlling interests		14,335	20,128	36,327	46,851	66,308
		58,832	80,470	134,441	131,498	160,399
Total comprehensive income attributable to:						
Owners of the parent		54,980	58,974	104,241	92,313	93,173
Non-controlling interests		14,335	20,128	36,327	47,832	65,906
		69,315	79,102	140,568	140,145	159,079

Identified Entities

Combined Statements of Financial Position

	Note	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Non-current assets					
Property, plant and equipment	13	567,940	580,717	595,930	597,691
Service concession assets	14	757,092	-	255,428	510,857
Intangibles	15	298,516	299,641	300,794	298,216
Finance lease receivables	16	613,015	631,700	667,038	699,831
Deferred tax assets	17	263,147	286,855	322,256	357,430
Investment in a joint venture	18	137,763	123,154	107,909	98,895
Trade and other receivables	19	73,011	74,731	72,453	70,546
		2,710,484	1,996,798	2,321,808	2,633,466
Current assets					
Finance lease receivables	16	36,684	35,338	32,793	30,430
Trade and other receivables	19	273,365	237,820	270,335	244,545
Inventories	20	80,043	73,621	67,505	58,578
Tax recoverable		987	1,268	1,435	1,905
Other current assets	21	23,979	16,479	9,024	7,536
Other financial assets	23	29,987	23,809	44,322	43,520
Deposits, cash and bank balances	24	373,519	472,726	395,671	377,282
		818,564	861,061	821,085	763,796
Total assets		3,529,048	2,857,859	3,142,893	3,397,262
Current liabilities					
Retirement benefit obligations	25	8,072	8,176	6,214	4,664
Finance lease payables	26	1,262	1,183	931	505
Short term borrowings	27	83,972	83,870	73,426	63,008
Zakat	28	8,442	7,942	3,947	4,335
Trade and other payables	29	441,987	507,507	345,103	340,438
Other current liability	30	2,558	8,295	3,482	2,427
Service concession obligations	31	345,455	-	324,349	221,534
Tax payable		2,748	2,112	2,193	1,052
		894,496	619,085	759,645	637,963
Net current (liabilities)/assets		(75,932)	241,976	61,440	125,833

Identified Entities

Combined Statements of Financial Position (contd.)

	Note	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Non-current liabilities					
Retirement benefit obligations	25	84,729	83,450	79,343	76,983
Finance lease payables	26	3,022	3,318	2,956	935
Long term borrowings	27	814,585	899,939	983,502	1,050,530
Trade and other payables	29	5,841	6,903	7,187	569
Service concession obligations	31	477,330	-	-	324,349
Consumer deposits	32	164,668	159,464	149,356	141,485
Deferred tax liabilities	17	51,631	48,974	39,999	32,270
		1,601,806	1,202,048	1,262,343	1,627,121
Total liabilities		2,496,302	1,821,133	2,021,988	2,265,084
Net assets		1,032,746	1,036,726	1,120,905	1,132,178
Equity attributable to owners of the parent					
Equity contribution and other reserves		822,173	819,293	892,804	741,555
Non-controlling interests		210,573	217,433	228,101	390,623
Total equity		1,032,746	1,036,726	1,120,905	1,132,178
Total equity and liabilities		3,529,048	2,857,859	3,142,893	3,397,262

Identified Entities

Combined Statements of Changes in Equity

	Note	Equity contributions and other reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
2015				
As at 1 January 2015		819,293	217,433	1,036,726
Total comprehensive income		54,980	14,335	69,315
Transactions with owners				
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(62)	(62)
- Dividends on ordinary shares	34	(52,100)	(20,650)	(72,750)
- CULS interest paid to non-controlling interests		-	(483)	(483)
As at 30 June 2015		822,173	210,573	1,032,746
2014				
As at 1 January 2014		892,804	228,101	1,120,905
Total comprehensive income		58,974	20,128	79,102
Transactions with owners				
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(53)	(53)
- Redemption of redeemable convertible non-cumulative preference shares		(72,000)	(18,000)	(90,000)
- Dividends on ordinary shares	34	(49,200)	(12,000)	(61,200)
- CULS interest paid to non-controlling interests		-	(1,087)	(1,087)
As at 30 June 2014		830,578	217,089	1,047,667
As at 1 January 2014		892,804	228,101	1,120,905
Total comprehensive income		104,241	36,327	140,568
Transactions with owners				
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(123)	(123)
- Redemption of redeemable convertible non-cumulative preference shares		(72,000)	(18,000)	(90,000)
- Dividends on ordinary shares	34	(105,752)	(26,697)	(132,449)
- CULS interest paid to non-controlling interests		-	(2,175)	(2,175)
As at 31 December 2014		819,293	217,433	1,036,726

Identified Entities

Combined Statements of Changes in Equity (contd.)

	Note	Equity contributions and other reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
2013				
As at 1 January 2013		741,555	390,623	1,132,178
Total comprehensive income		92,313	47,832	140,145
Transactions with owners				
- Change in tax rate		34	-	34
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(106)	(106)
- Acquisition of shares in subsidiaries		166,442	(166,442)	-
- Dividends on ordinary shares	34	(107,540)	(42,960)	(150,500)
- CULS interest paid to non-controlling interests		-	(846)	(846)
As at 31 December 2013		892,804	228,101	1,120,905
2012				
As at 1 January 2012		694,702	361,398	1,056,100
Total comprehensive income		93,173	65,906	159,079
Transactions with owners				
- Non-controlling interest arising on a business combination		-	100	100
- Unwinding on interest expense on CULS attributable to non-controlling interests		-	(97)	(97)
- Dividends on ordinary shares	34	(46,320)	(34,630)	(80,950)
- CULS interest paid to non-controlling interests		-	(2,054)	(2,054)
As at 31 December 2012		741,555	390,623	1,132,178

Identified Entities

Combined Statements of Cash Flows

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Cash flows from operating activities					
Profit before taxation	90,616	111,253	189,808	181,821	221,394
Adjustments for:					
Depreciation of property, plant and equipment	23,054	21,719	45,275	46,229	36,227
Net gain on disposal of property, plant and equipment	(89)	(742)	(849)	(72)	(359)
Property, plant and equipment written off	3	-	7	3,130	47
Amortisation of service concession asset	151,419	127,714	255,428	255,429	180,467
Amortisation of software	1,182	1,062	2,359	2,125	1,351
Share of profit of a joint venture	(4,127)	(4,880)	(9,088)	(1,609)	(8,740)
Finance income - other liability at amortised cost	-	-	-	(1,451)	-
Provision for retirement benefit plan	4,470	5,455	10,910	9,156	8,783
Net bad debts written-off	-	-	3	-	451
Impairment of inventories	-	-	-	-	698
Write off of accured tariff receivables from Federal Government	-	-	-	-	8,571
Zakat	840	500	4,874	2,197	1,961
Net unrealised foreign exchange loss/(gain)	-	-	-	490	(216)
Bad debts recovered	-	-	(106)	(49)	(196)
Allowance for impairments	646	740	1,302	1,425	1,605
Provision for liquidated ascertained damages	2,014	-	858	92	104
Interest income	(31,383)	(31,589)	(62,987)	(65,162)	(65,751)
Interest expense	52,267	42,061	77,869	99,936	85,473
Operating profit before working capital changes	290,912	273,293	515,663	533,687	471,870
Receivable	(34,448)	32,282	29,100	(29,165)	47,918
Payables	(77,044)	(3,019)	57,518	17,222	(88,021)
Inventories	(6,422)	(4,505)	(6,116)	(8,927)	(7,383)
Finance lease receivables	42,084	42,084	84,168	84,168	84,168
Other current asset	(7,500)	(7,758)	(7,455)	(1,488)	(1,085)
Cash generated from operations	207,582	332,377	672,878	595,497	507,467

Identified Entities

Combined Statements of Cash Flows (contd.)

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Cash flows from operating activities (contd.)					
Cash generated from operations (contd.)	207,582	332,377	672,878	595,497	507,467
Retirement benefits plan paid	(3,295)	(1,207)	(4,841)	(3,809)	(3,325)
Zakat paid	(340)	-	(879)	(2,585)	(1,817)
Tax paid	(4,502)	(2,387)	(10,905)	(5,772)	(6,301)
Repayments of lease rental payable to PAAB	(104,670)	(104,670)	(216,000)	(241,844)	(176,040)
Net cash generated from operating activities	94,775	224,113	440,253	341,487	319,984
Cash flows from investing activities					
Purchase of property, plant and equipment	(9,948)	(11,558)	(29,124)	(44,432)	(39,797)
Proceeds from disposal of property, plant and equipment	147	742	896	140	395
(Investment)/disposal in Islamic managed funds	(6,178)	10,944	20,513	(802)	(43,520)
Purchase of software	(57)	-	(1,206)	(4,703)	(5,850)
Issue of shares to non-controlling interests	-	-	-	-	100
Interest received	6,615	5,463	11,550	11,424	9,821
Net cash (used in)/generated from investing activities	(9,421)	5,591	2,629	(38,373)	(78,851)

Identified Entities

Combined Statements of Cash Flows (contd.)

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Cash flows from financing activities					
Redemption of 90,000,000 Redeemable Convertible Non-Cumulative Preference Shares ("RCNCPS")	-	(90,000)	(90,000)	-	-
Withdraw/(placement) of fixed deposits with banking facilities	26,532	39,388	4,293	(18,922)	27
Finance lease principal repayments	(613)	(523)	(1,023)	(787)	(437)
Repayment of borrowings	(85,000)	(75,000)	(75,000)	(64,986)	(56,500)
Dividends paid	(65,000)	(61,200)	(132,449)	(150,500)	(80,950)
Interest paid	(34,043)	(29,318)	(67,355)	(68,452)	(76,879)
Drawdown of short term borrowings	95	1,218	-	-	-
Net cash used in financing activities	(158,029)	(215,435)	(361,534)	(303,647)	(214,739)
Net (decrease)/increase in cash and cash equivalents	(72,675)	14,269	81,348	(533)	26,394
Cash and cash equivalents at beginning of year	256,960	175,612	175,612	176,145	149,751
Cash and cash equivalents at of period/year (Note 24)	184,285	189,881	256,960	175,612	176,145
Property, plant and equipment acquired by way of the following means:					
Cash	9,948	11,558	29,124	44,432	39,797
Finance lease	390	467	992	3,234	942
	10,338	12,025	30,116	47,666	40,739

Identified Entities

Notes to the financial statements

1. Corporate information

Identified Entities (the "Group") comprise collectively, the following entities:

- Ranhill Powertron Sdn. Bhd. ("RPI");
- Ranhill Powertron II Sdn. Bhd. ("RPII");
- Ranhill Power O&M Sdn. Bhd. ("RPOM");
- Ranhill Power II O&M Sdn. Bhd. ("RPOMII");
- Ranhill Power Services Sdn. Bhd. ("RPS");
- SAJ Holdings Sdn. Bhd. ("SAJH");
- Ranhill Water Services Sdn. Bhd. and its subsidiary ("RWSB"); and
- Ranhill Water Technologies (Cayman) Ltd. and its subsidiaries and a joint venture ("RWT (Cayman)").

The Group represents certain subsidiaries of Ranhill Group Sdn Bhd ("RGSB") and Ranhill Utilities Sdn Bhd ("RUSB") pursuant to an internal restructuring exercise as part of the proposed listing of Ranhill Holdings Berhad ("Ranhill Holdings"), via a reverse take-over scheme of Symphony House Berhad ("Symphony"). The restructuring relating to this combined financial statements involves the acquisition of the Group or Identified Entities by Ranhill Holdings from RGSB and RUSB, which will result in the formation of a new group for the proposed listing of Ranhill Holdings.

The principal activities of the Group are as disclosed in Notes 18 and 33. There have been no significant changes in the nature of these principal activities during the financial period/years.

The registered office and principal place of business of Ranhill Holdings is located at Level 15, Wisma Perkeso, No 155 Jalan Tun Razak, 50400 Kuala Lumpur.

2. Significant accounting policies

2.1 Basis of preparation

The combined financial statements have been prepared from the individual financial statements of the entities within the Group and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The combined financial statements have been prepared as if the Group had operated as a single economic entity throughout the financial years/period 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 and have been prepared from the books and records maintained by each entity. The financial information as presented in the combined financial statements may not be the same as the consolidated financial statements of Ranhill Holdings Group post listing. Further, such information does not purport to predict Ranhill Holdings Group's financial position, results and cash flows.

The combined financial statements of the Group have also been prepared on a historical cost basis, except otherwise stated in the accounting policies below.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.1 Basis of preparation (contd.)

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

2.2 Changes in accounting policies

The accounting policies adopted by the Group are consistent throughout the financial period/years other than the adoption of new and amended MFRS and IC Interpretation mandatory for the respective financial period/years. The effect of the adoption of these new and amended MFRS and IC Interpretation have been reflected and applied in this combined financial statements in accordance with the respective pronouncements, including any transitional provisions set out.

The adoption of these new and amended MFRSs and IC Interpretations did not have any significant effect on the financial performance or position of the Group.

2.3 MFRS, Amendments to MFRS and IC Interpretations issued but not yet effective

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.3 MFRS, Amendments to MFRS and IC Interpretations issued but not yet effective (contd.)

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:

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

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

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

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

The amendments clarify that:

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

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

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.3 MFRS, Amendments to MFRS and IC Interpretations issued but not yet effective (contd.)

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

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

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

Amendments to MFRS 101: Disclosure Initiatives

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.3 MFRS, Amendments to MFRS and IC Interpretations issued but not yet effective (contd.)

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.3 MFRS, Amendments to MFRS and IC Interpretations issued but not yet effective (contd.)

MFRS 9 Financial Instruments

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

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle which are relevant to the Group are summarised as below. The directors of the Group do not anticipate that the application of these amendments will have a significant impact on the Group's Financial Statements.

(i) MFRS 7 Financial Instruments: Disclosures

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

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

(ii) MFRS 119 Employee Benefits

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.4 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 the Group 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 the Group 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 Group.

Subsidiaries are combined from the date of acquisition, being the date on which the Group 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 the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's 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.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.4 Basis of combination (contd.)

(a) Subsidiaries (contd.)

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 period/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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and Group's 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.

(b) Joint venture

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.4 Basis of combination (contd.)

(b) Joint venture (contd.)

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia (RM), which is also the Group's functional currency.

(b) Foreign currency transactions and balances

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

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

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

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

(c) Foreign operations

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.6 Foreign currency (contd.)

(c) Foreign operations (contd.)

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

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

2.7 Intangible assets

(a) Goodwill

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.7 Intangible assets (contd.)

(b) Service license

Costs of service license under Section 4(1)(b) Act 655 of the Water Services Industries Act ("WSIA") issued to a subsidiary to treat raw water, supply and distribute the treated water to the consumers within the State of Johor and rights of use over the existing water assets and new water assets owned by Pengurusan Asset Air Berhad ("PAAB") per the terms and conditions of the Facility Agreement terms and conditions of which is set out in Note 14. The license is subject to formal renewal every three years based on meeting specific terms and conditions as set out by Suruhanjaya Perkhidmatan Air Negara ("SPAN"). In the absence of specific terms of termination, the license is expected to have indefinite useful life and hence the costs incurred is not amortised and is tested for impairment at every reporting date.

2.8 Property, plant and equipment

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

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.
Capital work in progress are stated at cost and are not depreciated until it is ready for its intended use. Upon completion, capital work in progress are transferred to categories of property, plant and equipment, depending on the nature of the assets.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.8 Property, plant and equipment (contd.)

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 stations	35 years
Replaceable parts	4.50%
Plant and machinery	10% - 20%
Renovations	20%
Furniture, fittings and office equipment	2% - 33.3%
Motor vehicles	10% - 20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the period/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.

2.9 Impairment of non-financial assets

The Group 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, the Group 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, the Group 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.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.9 Impairment of non-financial assets (contd.)

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

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

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

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

2.10 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group 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.

The Group 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.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.10 Financial assets (contd.)

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

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

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

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

(b) Loans and receivables

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.10 Financial assets (contd.)

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

2.11 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.11 Impairment of financial assets (contd.)

Financial assets carried at amortised cost (contd.)

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.12 Financial liabilities (contd.)

(b) Other financial liabilities

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

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

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

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

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

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 expenses in the period in which they are incurred.

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

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.

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

2.14 Service concession contracts

A substantial portion of the Group's assets are used within the framework of concession contracts granted by a public sector customer ('grantor').

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

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

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

Intangible asset model

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

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

Under the intangible asset model, revenue includes:

- revenue from the construction of the infrastructure; and

- operating revenue of the infrastructure.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.15 Provisions

Provisions are recognised when the Group 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 when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised in profit or loss as a finance cost.

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.

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.

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 the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.19 Employee benefits

(a) Short term employee benefits

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

(b) Post-employment benefits

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

(i) Defined contribution plan

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

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

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

(ii) Defined benefit plan

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

The Group has adopted MFRS119 (revised) and applied this standard retrospectively during the financial period/year.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.19 Employee benefits (contd.)

(b) Post-employment benefits (contd.)

(ii) Defined benefit plan (contd.)

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

As a result of MFRS 119 (revised) adoption, actuarial gains and losses are recognised immediately through other comprehensive income in order for the net retirement benefit asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

The expected returns on plan assets of defined retirement benefit scheme are not recognised in profit or loss. Instead, the interest on net defined benefit obligation (net of plan assets) is recognise in profit or loss, calculated using the discount rate used the measure the net retirement benefit obligation or assets. The interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net retirement benefit obligations or assets.

2.20 Leases

(a) As lessee

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.20 Leases (contd.)

(a) As lessee (contd.)

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

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

(b) As lessor

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

Operating lease income are recognised as revenue or rental income, in the profit and loss, as set out in Note 2.26(i)(e).

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

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

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.

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.21 Borrowing costs (contd.)

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

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

2.22 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.22 Income tax (contd.)

(b) Deferred tax (contd.)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.
Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.23 Convertible unsecured loan stocks ("CULS")

The CULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of CULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. On issuance of the CULS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities set out in Note 2.12.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the CULS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.24 Contingencies

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

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

2.25 Zakat

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.26 Revenue recognition

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

(i) Revenue

(a) Water revenue

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

(b) Sale of electricity

Sale of electricity is recognised upon delivery of electricity.

(c) Contribution by housing developers

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

(d) Special works and services

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

(e) Rental income

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

(f) Non revenue water reduction income

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.26 Revenue recognition (contd.)

(i) Revenue (contd.)

(f) Non revenue water reduction income (contd.)

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

(g) Sale of equipment

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

(ii) Other item of income

(a) Interest income

Interest income is recognised using the effective interest method.

2.27 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38.

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.27 Fair value measurement (contd.)

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

Identified Entities

Notes to the financial statements

2. Significant accounting policies (contd.)

2.28 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Identified Entities

Notes to the financial statements

3. Significant accounting judgements and estimates

The preparation of the Group's 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.

3.1 Judgements made in applying accounting policies

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

3.2 Key sources of estimation uncertainty

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

(a) Useful life of power station

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

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

(b) Depreciation of property, plant and equipment

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

Identified Entities

Notes to the financial statements

3. Significant accounting judgements and estimates

3.2 Key sources of estimation uncertainty (contd.)

(c) Income taxes

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

(d) Deferred tax assets

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

(e) Impairment of intangibles

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

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

Identified Entities

Notes to the financial statements

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(f) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 19.

(g) Defined benefit plan

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Malaysia with an AA rating. The bonds have been selected based on the expected duration of the defined benefit obligation and taking into consideration the yield curve respectively.

The mortality and disability rates are based on publicly available mortality tables for Malaysia. Future salary increase is increased based on expected future inflation rates for Malaysia.

Further details about the assumptions used are as stated in Note 25.

Identified Entities

Notes to the financial statements

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(h) Service concession asset

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

In determining the appropriate discount rate, management has derived the applicable interest rates from high quality corporate bonds in Malaysia with an AA rating. The bonds have been selected based on the expected duration of the lease rental period and taking into consideration the yield curve respectively.

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

(i) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the reporting date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract cost and the recoverable variation works that will affect the stage of completion.

In making these estimates, management has relied on past experiences and the work of specialists. The carrying amounts of assets and liabilities arising from construction contracts at the reporting date are disclosed in Note 22.

(j) Provision for liquidated ascertain damages

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

Identified Entities

Notes to the financial statements (contd.)

4. Revenue

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Water revenue	432,983	409,537	835,315	789,396	749,397
Sale of electricity	82,603	129,563	239,788	209,397	232,599
Rental income from operating lease	60,153	60,437	121,024	122,242	123,121
Contribution by housing developers [a]	23,243	13,774	31,050	28,154	8,825
Non revenue water reduction fees [b]	23,803	27,611	55,999	44,021	39,426
Special works [c]	4,623	4,530	9,414	5,930	5,583
Sale of equipment	856	-	1,752	-	-
	628,264	645,452	1,294,342	1,199,140	1,158,951

[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. Cost of sales

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Water and its related costs	321,024	297,127	627,652	582,303	514,566
Operation and maintenance costs	33,565	34,638	74,513	60,517	44,687
Power and its related costs	98,347	129,056	245,917	220,057	239,359
Cost of equipment	159	-	1,314	-	-
	453,095	460,821	949,396	862,877	798,612

Identified Entities

Notes to the financial statements (contd.)

6. Interest income

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Interest income:					
- Loans and receivables	23	132	62	136	119
- Fixed deposits	6,420	5,300	10,709	9,957	9,564
- Finance lease income (Note 16)	24,745	25,994	51,375	53,738	55,930
- Islamic Money Market fund	195	163	841	1,331	138
	31,383	31,589	62,987	65,162	65,751

7. Other income

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Foreign exchange differences:					
- Unrealised gain	-	-	-	-	261
- Realised gain	-	-	147	196	10
Gain on disposal of property, plant and equipment	89	742	849	119	359
Rental income	694	671	1,342	1,130	24
Plan processing fees	435	297	762	1,118	999
Claims from customer	1,983	871	1,731	2,523	2,453
Bad debts recovered	-	-	106	49	196
Insurance claims*	175	-	804	32,277	-
Finance income - other liability at amortised cost	-	-	-	1,451	-
Sale of tender documents	102	86	140	220	135
Charges to contractors	157	86	178	102	4
Third party compensation	-	254	254	850	-
Miscellaneous income**	177	31	81	131	192
	3,812	3,038	6,394	40,166	4,633

* Insurance claims were mainly in respect of compensation received arising from the breakdown of the Group's power stations in prior years.

** Mainly comprised refund from customers, meter testing fees, cleaning and utilities fees, training fees and reversal of miscellaneous charges by banks.

Identified Entities

Notes to the financial statements (contd.)

8. Finance costs

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Islamic Medium Term Notes	10,753	12,721	21,956	34,659	28,126
Musharakah Medium Term Notes ("mMTN")	20,893	21,444	42,594	40,664	43,840
Finance leases	6	11	19	26	22
Term loans	18	2	16	20	55
Bank overdrafts	-	-	2	-	6
Bank guarantees	300	250	350	557	602
Unwinding of discount on payables	172	150	300	1,171	5
Unwinding of interest of service concession obligations	18,944	6,303	10,180	20,310	10,497
Convertible unsecured loan stocks	1,180	1,167	2,359	2,335	2,320
Others	1	13	93	194	-
	52,267	42,061	77,869	99,936	85,473

9. Profit before tax

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

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Auditors' remuneration					
- statutory audit					
- current year	229	218	438	421	411
- prior year	2	1	1	1	(20)
Amortisation of service concession assets (Note 14)	151,419	127,714	255,428	255,429	180,467
Amortisation of software (Note 15)	1,182	1,062	2,359	2,125	1,351
Depreciation of property, plant and equipment (Note 13)	23,054	21,719	45,275	46,229	36,227
Employee benefits expense (Note 10)	69,590	80,849	176,794	162,934	139,504
Directors' remuneration (Note 11)	2,933	2,102	4,879	3,935	3,341
Bad debts written off	-	-	3	-	451

Identified Entities

Notes to the financial statements (contd.)

9. Profit before tax (contd.)

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

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Allowance for impairment					
- Trade receivables (Note 19)	646	740	1,302	1,317	1,605
- Other receivables	-	-	-	108	-
Operating lease rentals:					
- Land and buildings	807	703	1,753	1,433	1,161
- Motor vehicles and equipment	183	247	896	502	438
Property, plant and equipment written off (Note 13)	3	-	7	3,130	47
Provision for liquidated ascertained damages	2,014	-	858	92	104
Loss on disposal of property, plant and equipment	-	-	-	47	-
Impairment of inventories	-	-	-	-	698
Reversal of accrued tariff receivables from Federal Government	-	-	-	-	8,571*
Net unrealised foreign exchange loss	-	-	-	490	45
Net realised foreign exchange loss	140	249	28	24	4

* The accrued tariff receivable from the Federal Government was in relation to the claim by SAJH for the potential shortfall of the agreed 9% profit margin under the Master Agreement as a result of the deferral in the approval and implementation of the new water tariff. Upon the conclusion of the first operating period on 30 June 2012 and with consultation with Suruhanjaya Perkhidmatan Air Negara, the accrued tariff receivable was reversed as SAJH had met agreed 9% profit margin.

Identified Entities

Notes to the financial statements (contd.)

10. Employee benefits expenses

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Wages, salaries and bonus	39,261	49,701	112,822	107,511	88,291
Employee allowances	11,087	10,056	20,838	18,315	17,248
Defined contribution plan	6,157	6,988	15,812	14,182	12,171
Defined benefit retirement plan (Note 25)	4,470	5,455	10,910	9,156	8,783
Other staff related expenses	8,615	8,649	16,412	13,770	13,011
	69,590	80,849	176,794	162,934	139,504

11. Directors' remunerations

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

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Non-Executive Directors:					
Fees	264	186	336	508	440
Other emoluments	4	-	2	-	2
	268	186	338	508	442
Executive Directors:					
Fees	36	-	248	136	36
Salaries and bonus	2,304	1,701	3,750	2,852	2,609
Defined contribution plan	301	200	451	230	206
Other emoluments	10	6	40	192	13
Benefits-in-kind	14	9	52	17	35
	2,665	1,916	4,541	3,427	2,899
Total	2,933	2,102	4,879	3,935	3,341

Identified Entities

Notes to the financial statements (contd.)

12. Income tax expense

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Income tax					
Current income tax	4,685	6,737	10,839	7,652	5,194
Under/(over) provision in prior period/year	734	146	152	(266)	284
	5,419	6,883	10,991	7,386	5,478
Deferred tax (Note 17)					
Origination and reversal of deferred tax	22,015	22,328	40,346	45,767	54,811
Relating to reduction in Malaysian income tax rate	593	1,151	1,966	1,917	-
Under/(over) provision in respect of prior period/year	3,757	421	2,064	(4,747)	706
	26,365	23,900	44,376	42,937	55,517
Income tax expense	31,784	30,783	55,367	50,323	60,995
Deferred income tax charged directly to equity:					
- Equity component of CULS (Note 17)	-	-	-	34	-

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2014: 25%, 2013: 25%, 2012: 25%) of the estimated assessable profit for the years. The statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 30 June 2015 has reflected these changes.

Identified Entities

Notes to the financial statements (contd.)

12. Income tax expense (contd.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	6 months ended 30.6.2015 RM'000	6 months ended 30.6.2014 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Profit before tax	90,616	111,253	189,808	181,821	221,394
Tax at Malaysian statutory tax rate of 25%	22,654	27,813	47,452	45,455	55,349
Change in tax rate	593	1,151	1,966	1,917	-
Expenses not deductible for tax purposes	2,762	2,337	6,107	6,431	6,586
Income not subject to tax	(980)	(826)	(1,868)	(2,032)	(1,930)
Deferred tax assets not recognised	2,264	(259)	(506)	3,565	-
Under/(over) provision of deferred tax in prior period/year	3,757	421	2,064	(4,747)	706
Under/(over) provision of income tax in prior period/year	734	146	152	(266)	284
	31,784	30,783	55,367	50,323	60,995

Identified Entities

Notes to the financial statements (contd.)

13. Property, plant and equipment

	Plant and machinery RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power stations RM'000	Replacement parts RM'000	Capital work-in-progress RM'000	Total RM'000
Cost:								
At 1 January 2012	38,965	175,081	33,888	6,999	673,669	47,880	3,366	979,848
Reclassification	5,547	(5,547)	-	-	-	-	-	-
Additions	12,955	3,088	4,647	-	-	-	20,049	40,739
Disposals	-	(13)	(2,023)	-	-	-	-	(2,036)
Transfer	17,962	389	234	-	-	-	(18,585)	-
Written off	(11)	(415)	-	-	-	-	-	(426)
At 31 December 2012	75,418	172,583	36,746	6,999	673,669	47,880	4,830	1,018,125
At 1 January 2013	75,418	172,583	36,746	6,999	673,669	47,880	4,830	1,018,125
Additions	13,314	1,254	3,574	-	9,971	-	19,553	47,666
Disposals	-	-	(1,274)	-	-	-	-	(1,274)
Transfer	5,452	772	4,062	-	-	-	(10,286)	-
Written off	(8)	(1,231)	-	-	(8,282)	-	-	(9,521)
At 31 December 2013	94,176	173,378	43,108	6,999	675,358	47,880	14,097	1,054,996
At 1 January 2014	94,176	173,378	43,108	6,999	675,358	47,880	14,097	1,054,996
Additions	7,285	1,959	3,624	-	-	-	17,248	30,116
Disposals	-	-	(4,268)	-	-	-	-	(4,268)
Transfer	18,759	620	3,541	-	-	-	(22,920)	-
Written off	-	(404)	-	-	-	-	-	(404)
At 31 December 2014	120,220	175,553	46,005	6,999	675,358	47,880	8,425	1,080,440

Identified Entities

Notes to the financial statements (contd.)

13. Property, plant and equipment (contd.)

	Plant and machinery RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power stations RM'000	Replacement parts RM'000	Capital work-in-progress RM'000	Total RM'000
Cost: (contd.)								
At 1 January 2015	120,220	175,553	46,005	6,999	675,358	47,880	8,425	1,080,440
Additions	628	786	1,113	-	-	-	7,811	10,338
Disposals	-	(24)	(614)	-	-	-	-	(638)
Transfer	10,751	1,149	2,490	-	-	-	(14,390)	-
Written off	-	(369)	-	-	-	-	-	(369)
At 30 June 2015	131,599	177,095	48,994	6,999	675,358	47,880	1,846	1,089,771
Accumulated depreciation:								
At 1 January 2012	9,273	135,899	24,481	1,960	186,557	28,416	-	386,586
Reclassification	2,776	(2,776)	-	-	-	-	-	-
Charge for the year	9,798	11,780	4,366	140	9,532	611	-	36,227
Disposals	-	(9)	(1,991)	-	-	-	-	(2,000)
Written off	(2)	(377)	-	-	-	-	-	(379)
At 31 December 2012	21,845	144,517	26,856	2,100	196,089	29,027	-	420,434

Identified Entities

Notes to the financial statements (contd.)

13. Property, plant and equipment (contd.)

	Plant and machinery RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power stations RM'000	Replacement parts RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation: (contd.)								
At 1 January 2013	21,845	144,517	26,856	2,100	196,089	29,027	-	420,434
Charge for the year	13,168	10,982	5,533	140	15,795	611	-	46,229
Disposals	-	-	(1,206)	-	-	-	-	(1,206)
Written off	(2)	(1,216)	-	-	(5,173)	-	-	(6,391)
At 31 December 2013	35,011	154,283	31,183	2,240	206,711	29,638	-	459,066
At 1 January 2014	35,011	154,283	31,183	2,240	206,711	29,638	-	459,066
Charge for the year	16,354	7,476	4,567	140	16,127	611	-	45,275
Disposals	-	-	(4,221)	-	-	-	-	(4,221)
Written off	-	(397)	-	-	-	-	-	(397)
At 31 December 2014	51,365	161,362	31,529	2,380	222,838	30,249	-	499,723
At 1 January 2015	51,365	161,362	31,529	2,380	222,838	30,249	-	499,723
Charge for the period	8,858	2,834	2,922	70	8,064	306	-	23,054
Disposals	-	(21)	(559)	-	-	-	-	(580)
Written off	-	(366)	-	-	-	-	-	(366)
At 30 June 2015	60,223	163,809	33,892	2,450	230,902	30,555	-	521,831

Identified Entities

Notes to the financial statements (contd.)

13. Property, plant and equipment (contd.)

	Plant and machinery RM'000	Renovation, furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Long term leasehold land RM'000	Power stations RM'000	Replacement parts RM'000	Capital work-in-progress RM'000	Total RM'000
Net carrying amount:								
At 31 December 2012	53,573	28,066	9,890	4,899	477,580	18,853	4,830	597,691
At 31 December 2013	59,165	19,095	11,925	4,759	468,647	18,242	14,097	595,930
At 30 December 2014	68,855	14,191	14,476	4,619	452,520	17,631	8,425	580,717
At 30 June 2015	71,376	13,286	15,102	4,549	444,456	17,325	1,846	567,940

Identified Entities

Notes to the financial statements (contd.)

13. Property, plant and equipment (contd.)

Assets held under finance leases

During the financial period ended 30 June 2015, the Group acquired motor vehicles with an aggregate cost of RM 1,113,000 (31 December 2014: RM3,624,000, 31 December 2013: RM3,574,000 and 31 December 2012: RM4,647,000) of which RM 390,000 (31 December 2014: RM992,000, 31 December 2013: RM3,234,000 and 31 December 2012: RM942,000) 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 30 June 2015 was RM3,917,000 (31 December 2014: RM4,483,000, 31 December 2013: RM3,694,000 and 31 December 2012: RM2,124,000).

Leased assets are pledged as security for the related finance lease liabilities (Note 26).

Assets pledged as security

In addition to assets held under finance lease, certain Group's property, plant and equipment are pledged as security to financial institutions as security for loan and borrowings, as disclosed in Note 27.

14. Service concession assets

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Cost				
At beginning of the period/year	1,024,958	1,024,958	1,024,958	428,957
Additions*	908,511	-	-	596,001
Less: Completed operating period	(1,024,958)	-	-	-
At end of the period/year	908,511	1,024,958	1,024,958	1,024,958
Accumulated amortisation				
At beginning of the period/year	1,024,958	769,530	514,101	333,634
Amortisation charge for the financial period/ year (Note 9)	151,419	255,428	255,429	180,467
Less: Completed operating period	(1,024,958)	-	-	-
At end of the period/year	151,419	1,024,958	769,530	514,101
Net carrying amounts	757,092	-	255,428	510,857

* 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.

Identified Entities

Notes to the financial statements (contd.)

14. Service concession assets (contd.)

Service concession assets comprise assets resulting from the application of accounting policy as disclosed in Note 2.14 on accounting for concession contracts.

In line with the move to improve the quality, coverage and reliability of the nation's water supply and safeguard the interests of consumers, the Water Services Industry Act ("WSIA") and Suruhanjaya Perkhidmatan Air Negara Act 2006 were introduced. Pursuant to the enactment of the WSIA, Pengurusan Aset Air Berhad ("PAAB"), was established for the purposes of, inter alia, acquiring the existing water infrastructure and/or build new water assets which will be leased to water operators.

Under the WSIA, the existing water operators are given an option either to continue to be authorised to carry out the water supply services in accordance with their respective current concession agreements, but subject to certain amendments as may be agreed by Suruhanjaya Perkhidmatan Air Negara ("SPAN") or to migrate to a licensing regime whereby relevant licenses will be granted by SPAN.

On 11 March 2009, a subsidiary, SAJH migrated to the licensing regime for water supply services in the State of Johor via a Master Agreement executed with relevant parties. SAJH had also executed on the same date, the facility agreement with PAAB mainly for the purpose of PAAB to receive the lease rental for the grant of a right to use, occupy and operate the water related assets to SAJH.
SAJH's application on individual service license under Section 4(1)(b) of WSIA (Act 655) was approved by the Ministry of Energy, Green Technology and Water, for a period of three years commencing from 1 July 2009 until 30 June 2012. Subsequently, the license was renewed for a period of two and a half years commencing from 1 July 2012 until 31 December 2014 to be consistent with the change in financial year end from June to December. The license was further renewed for a period of three years from 1 January 2015 to 31 December 2017.

SAJH has entered into the Third Operating Period which cover from 1 January 2015 to 31 December 2017 which has been approved by SPAN on 27 May 2015.

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

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

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

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

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

(v) SAJH is required to inform and provide information to SPAN any matter in relation to current, unsettled or threatened illigation, legal proceeding, arbitral and disputes ;

Identified Entities

Notes to the financial statements (contd.)

14. Service concession assets (contd.)

(vi) SAJH shall comply with the provisions on procurement and supply works. Any contract of restoration work, maintenance and the supply excluding emergancy works should be awarded based on competitive biddings and the duration of the contract shall not exceed two years; and

(vii) SAJH is responsible on the operation of the assets maintenance of water supply service in rural or developed province areas in the State of Johor.

15. Intangibles

	30.6.2015 RM'000	**31.12.2014 RM'000**	**31.12.2013 RM'000**	**31.12.2012 RM'000**
Goodwill	11,151	11,151	11,151	11,151
Service license	282,356	282,356	282,356	282,356
Software	5,009	6,134	7,287	4,709
	298,516	299,641	300,794	298,216

Goodwill

The goodwill's cash generating unit ("CGU") is in respect of water services.

Service license

Service license represents cost of service license issued to a subsidiary to treat raw water, supply and distribute treated water to the consumers of the State of Johor and rights to use over the existing water related assets and new water related assets owned by the Pengurusan Aset Air Berhad ("PAAB") based on terms and conditions of the Master Agreement and Facility Agreement.

This service license is not amortised but assessed for impairment at each reporting date.

Impairment test for goodwill and service license

The recoverable amounts of water services CGUs are determined based on value-in-use calculations, using pre-tax cash flow projections based on financial budgets approved by the directors for a period beyond 5 years consistent with the term of the licences and the underlying agreements.

Identified Entities

Notes to the financial statements (contd.)

15. Intangibles (contd.)

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

	Water services %
Growth rate [(i)]	1.4
Pre-tax discount rate [(ii)]	14.0

[(i)] Industry growth rate used to extrapolate cash flows beyond the budget period

[(ii)] Pre-tax discount rate applied to cash flows projectors

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.

Software

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Cost				
At beginning of the period/year	12,761	11,555	6,852	1,002
Addition during the period/year	57	1,206	4,703	5,850
At end of the period/year	12,818	12,761	11,555	6,852
Accumulated amortisation				
At beginning of the period/year	6,627	4,268	2,143	792
Amortisation charge for the period/year (Note 9)	1,182	2,359	2,125	1,351
At end of the period/year	7,809	6,627	4,268	2,143
Net carrying amount	5,009	6,134	7,287	4,709

16. Finance lease receivables

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
At beginning of period/year	667,038	699,831	730,261	758,499
Repayments	(42,084)	(84,168)	(84,168)	(84,168)
Finance lease income (Note 6)	24,745	51,375	53,738	55,930
At end of period/year	649,699	667,038	699,831	730,261
The finance lease receivables are further analysed as follows:				
Gross amounts receivable	1,036,202	1,078,286	1,162,454	1,246,622
Less: Unearned finance interest income	(386,503)	(411,248)	(462,623)	(516,361)
Finance lease receivables	649,699	667,038	699,831	730,261

Identified Entities

Notes to the financial statements (contd.)

16. Finance lease receivables (contd.)

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Analysed into:				
Current	36,684	35,338	32,793	30,430
Non-current	613,015	631,700	667,038	699,831
	649,699	667,038	699,831	730,261

The terms of the lease agreement is summarised as follows:

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Gross amounts receivable within:				
Not later than 1 year	84,168	84,168	84,168	84,168
Later than 1 year but not later than 2 years	84,168	84,168	84,168	84,168
Later than 2 years but not later than 5 years	252,503	252,503	252,503	252,503
Later than 5 years	615,363	657,447	741,615	825,783
Total minimum lease payments receivable	1,036,202	1,078,286	1,162,454	1,246,622
Less: Unearned finance interest income	(386,503)	(411,248)	(462,623)	(516,361)
	649,699	667,038	699,831	730,261
Present value of payments receivable:				
Not later than 1 year	36,684	35,338	32,793	30,430
Later than 1 year but not later than 2 years	39,533	38,082	35,338	32,793
Later than 2 years but not later than 5 years	137,982	132,919	123,344	114,458
Later than 5 years	435,500	460,699	508,356	552,580
Present value of minimum lease payments receivable	649,699	667,038	699,831	730,261

The finance lease receivable represents a single lease arrangement at reporting date. The lease arrangement has a term of 21 years commencing from the Commercial Operation Date of the power station facility on 22 April 2011 and bore an average effective interest rate of 7.5% per annum.

Identified Entities

Notes to the financial statements (contd.)

17. Deferred taxation

The components and movements of deferred tax assets/(liabilities) during the financial period/years prior to offsetting are as follows:

	Deferred tax assets						
	Unutilised reinvestment allowance RM'000	**Unutilised investment allowance RM'000**	**Unabsorbed capital allowance RM'000**	**Unutilised tax losses RM'000**	**Provisions RM'000**	**Others RM'000**	**Total RM'000**
At 1 January 2012	64,914	192,048	301,959	3,961	28,998	5,991	597,871
Recognised in profit and loss	(1,850)	16,699	(83,883)	(152)	4,935	3,953	(60,298)
At 31 December 2012	63,064	208,747	218,076	3,809	33,933	9,944	537,573
At 1 January 2013	63,064	208,747	218,076	3,809	33,933	9,944	537,573
Recognised in profit and loss	(6,521)	(10,563)	(28,089)	(152)	1,840	7,977	(35,508)
At 31 December 2013	56,543	198,184	189,987	3,657	35,773	17,921	502,065
At 1 January 2014	56,543	198,184	189,987	3,657	35,773	17,921	502,065
Recognised in profit and loss	(9,417)	(640)	(40,023)	-	5,042	12,207	(32,831)
At 31 December 2014	47,126	197,544	149,964	3,657	40,815	30,128	469,234
At 1 January 2015	47,126	197,544	149,964	3,657	40,815	30,128	469,234
Recognised in profit and loss	(4,397)	(2,174)	(22,608)	-	(7,797)	14,321	(22,655)
At 30 June 2015	42,729	195,370	127,356	3,657	33,018	44,449	446,579

Identified Entities

Notes to the financial statements (contd.)

17. 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 January 2012	(216,331)	(723)	(140)	(217,194)
Recognised in profit and loss	4,721	60	-	4,781
At 31 December 2012	(211,610)	(663)	(140)	(212,413)
At 1 January 2013	(211,610)	(663)	(140)	(212,413)
Recognised in profit and loss	(7,479)	50	-	(7,429)
Recognised in equity	-	34	-	34
At 31 December 2013	(219,089)	(579)	(140)	(219,808)
At 1 January 2014	(219,089)	(579)	(140)	(219,808)
Recognised in profit and loss	(11,620)	75	-	(11,545)
At 31 December 2014	(230,709)	(504)	(140)	(231,353)
At 1 January 2015	(230,709)	(504)	(140)	(231,353)
Recognised in profit and loss	(3,751)	41	-	(3,710)
At 30 June 2015	(234,460)	(463)	(140)	(235,063)

Presented after appropriate offsetting as follows:

	30.6.2015 RM'000	**31.12.2014 RM'000**	**31.12.2013 RM'000**	**31.12.2012 RM'000**
Deferred tax assets	263,147	286,855	322,256	357,430
Deferred tax liabilities	(51,631)	(48,974)	(39,999)	(32,270)
	211,516	237,881	282,257	325,160

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

	30.6.2015 RM'000	**31.12.2014 RM'000**	**31.12.2013 RM'000**	**31.12.2012 RM'000**
Unutilised investment allowances	156,340	147,286	149,309	135,512

The unutilised investment allowances of the Group are available to offset against future taxable profits subject to guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of the above item as the Group could not anticipate its realisation.

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture

The Group has joint control on its joint arrangement as unanimous consent is required for relevant activities from the parties sharing control under the contractual arrangement.

The joint arrangements are structured via separate entities and provide the group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as joint ventures of the Group.

(a) Details of the Group's joint venture is as follows:

Name	Country of incorporation/ Principal place of business	% of ownership interest held by the Group 30.06.2015	31.12.2014	31.12.2013	31.12.2012	Nature of relationship	Accounting model applied
Ranhill Water Technologies (Cayman) Ltd. [1]	Cayman Island, United States of America	52	52	52	52	Note (i)	Equity method

This joint venture has the same reporting period as the Group. No quoted market price is available for the shares of Ranhill Water Technologies (Cayman) Ltd as the Company is private company.

(i) Ranhill Water Technologies (Cayman) Ltd is a limited liability company incorporated and domiciled in Cayman Islands. The registered office is located at Scotia Centre, P.O. Box 268, Grand Cayman, KY1-1104, Cayman Islands.

The principal activities of the Company are to undertake investment holding activities and provision of consultancy services, project management, engineering, procurement, construction, supply of equipment, operation and maintenance services to both municipal and industrial water, sewerage and wastewater treatment plants. The principal activities of the subsidiaries are as set out below.

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Principal activities	% of ownership interest held by the joint venture				% of ownership interest held by non-controlling interest			
			30.06.2015	31.12.2014	31.12.2013	31.12.2012	30.06.2015	31.12.2014	31.12.2013	31.12.2012
Held by Ranhill Water Technologies (Cayman) Ltd.										
Ranhill Water (Hong Kong) Limited [2]	Hong Kong	To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to wastewater treatment plants.	100	100	100	100	-	-	-	-
Ranhill Water Technologies Sdn. Bhd.[1]	Malaysia	To undertake investment holding activities and provision of consultancy services, project management, engineering, procurement, construction, supply of equipment, operation and maintenance services to both municipal and industrial water, sewerage and wastewater treatment plants.	100	100	100	100	-	-	-	-

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (contd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	Principal activities	% of ownership interest held by the joint venture				% of ownership interest held by non-controlling interest			
			30.06.2015	31.12.2014	31.12.2013	31.12.2012	30.06.2015	31.12.2014	31.12.2013	31.12.2012
Held by Ranhill Water (Hong Kong) Limited										
Ranhill (Nanchang) Waste Water Treatment Co Ltd. [3]	China	To undertake wastewater treatment services for Xiao Lan Economic Development Zone.	100	100	100	100	-	-	-	-
Ranhill (Hefei) Wastewater Treatment Co Ltd. [3]	China	To undertake wastewater treatment services for Hefei Chemical Industrial Park.	100	100	100	100	-	-	-	-
Ranhill (Xinxiang) Wastewater Treatment Co Ltd. [3]	China	To undertake wastewater treatment services for Xinxiang Industrial Park.	100	100	100	100	-	-	-	-
Ranhill (Yingkou) Wastewater Treatment Co Ltd. [3]	China	To undertake wastewater treatment services for Yingkou Economic & Technology Development Zone.	100	100	100	100	-	-	-	-
Ranhill Water Technologies (Shanghai) Ltd. [3]	China	To undertake consultancy services on potable water, wastewater technologies and project management.	100	100	100	100	-	-	-	-

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (contd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	Principal activities	% of ownership interest held by the joint venture				% of ownership interest held by non-controlling interest			
			30.06.2015	31.12.2014	31.12.2013	31.12.2012	30.06.2015	31.12.2014	31.12.2013	31.12.2012
Held by Ranhill Water (Hong Kong) Limited (contd.)										
Ranhill International Trade (Hong Kong) Investment Limited [2]	Hong Kong	To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to potable water treatment plants.	51	51	51	51	49	49	49	49
Ranhill (Changfeng) Environmental Protection Technologies Co Ltd. [3]	China	To undertake design, construction and operation for wastewater treatment and environmental protection facilities in Xiatang Heavy Industrial	100	100	100	-	-	-	-	-
Ranhill (Fuzhou) Water Co Ltd. [3]	China	To undertake water, reclaimed water and wastewater projects in Yihuang Industrial Park.	100	100	100	-	-	-	-	-
Ranhill (Wanzai) Water Co Ltd. [3]	China	To undertake water, reclaimed water and wastewater projects in Wanzai Industrial Park, Yichun City.	100	100	100	-	-	-	-	-
Ranhill Venture (Hong Kong) Limited [2]	Hong Kong	To undertake investment holding activities and provision of consultancy, project management, operation and maintenance services relating to waste water treatment plants.	100	100	100	-	-	-	-	-

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (contd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	Principal activities	% of ownership interest held by the joint venture				% of ownership interest held by non-controlling interest			
			30.06.2015	31.12.2014	31.12.2013	31.12.2012	30.06.2015	31.12.2014	31.12.2013	31.12.2012
Held by Ranhill Water (Hong Kong) Limited (contd.)										
Ranhill (Qingtongxia) Water Co Ltd. [4]	China	Undertaking industrial wastewater treatments services, design, construction and operation for wastewater treatment plant in Qingtongxia New Material Base Industrial Park.	100	100	-	-	-	-	-	-
Held by Ranhill Water Technologies Sdn. Bhd.										
Ranhill Water Technologies (Thai) Ltd. [3]	Thailand	To undertake consultancy services, project management, engineering, supply construction and operation for potable and wastewater treatment plant.	100	100	100	100	-	-	-	-
AnuRAK Water Treatment Facilities Co Ltd. [3]	Thailand	To undertake potable water, wastewater and reclaimed water treatment services for domestic and industrial use.	100	100	100	100	-	-	-	-

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(b) Details of the subsidiaries of Ranhill Water Technologies (Cayman) Ltd. are as follows: (contd.)

Name of subsidiaries	Country of incorporation/ Principal place of business	Principal activities	% of ownership interest held by the joint venture				% of ownership interest held by non-controlling interest			
			30.06.2015	31.12.2014	31.12.2013	31.12.2012	30.06.2015	31.12.2014	31.12.2013	31.12.2012
Held by Ranhill Water Technologies Sdn. Bhd. (contd.)										
KWI (Guangzhou) Environmental Engineering Technology Co Ltd. [3]	China	Ceased operations.	51	51	51	51	49	49	49	49
Top Zone Solutions Sdn. Bhd. [1]	Malaysia	To undertake construction, structural, civil, engineering, electrical and mechanical work for potable water and wastewater treatment plant.	100	100	100	100	-	-	-	-

(c) Details of the joint ventures of Ranhill Water Technologies (Cayman) Ltd. are as follows:

Name of joint venture	Country of incorporation/ Principal place of business	% of ownership interest held by the Group				Principal activities	Accounting model applied
		30.6.2015	31.12.2014	31.12.2013	31.12.2012		
Held by Ranhill Water (Hong Kong) Limited							
Pinang Water Ltd. [3]	Federal Territory of Labuan, Malaysia	37	37	37	37	To undertake construction water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.	Equity method

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(c) Details of the joint ventures of Ranhill Water Technologies (Cayman) Ltd. are as follows: (contd.)

Name of joint venture	Country of incorporation/ Principal place of business	% of ownership interest held by the Group 30.6.2015	31.12.2014	31.12.2013	31.12.2012	Principal activities	Accounting model applied
Held by Pinang Water Ltd.							
YiChun Pinang Water Co Ltd. [3]	China	37	37	37	37	To undertake water treatment, management and supply of treated water.	Equity method

[1] Audited by Ernst & Young, Malaysia
[2] Audited by member firms of Ernst & Young Global
[3] Audited by firm other than Ernst & Young
[4] The paid up share capital is nil as at 30 June 2015.

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(d) Summarised financial information of Ranhill Water Technologies (Cayman) Ltd. is set out below. The summarised information represents the amounts in the IFRS financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statements of financial position

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Non-current assets	470,752	424,468	354,180	306,641
Cash and bank balances	5,998	6,037	8,847	11,413
Other current assets	49,555	41,868	39,881	29,115
Total current assets	55,553	47,905	48,728	40,528
Total assets	526,305	472,373	402,908	347,169
Current liabilities	27,271	26,470	24,371	17,260
Trade and other payables and provisions	101,496	97,443	62,401	31,940
Total current liabilities	128,767	123,913	86,772	49,200
Non-current liabilities	133,079	111,980	107,836	106,974
Trade and other payables and provisions	109	120	1,181	1,172
Total non current liabilities	133,188	112,100	109,017	108,146
Total liabilities	261,955	236,013	195,789	157,346
Net assets	264,350	236,360	207,119	189,823

(ii) Summarised statements of comprehensive income

	6 months ended 30.6.2015 RM'000	12 months ended 31.12.2014 RM'000	12 months ended 31.12.2013 RM'000	12 months ended 31.12.2012 RM'000
Revenue	27,589	89,184	55,431	118,401
Depreciation and amortisation	(354)	(705)	(641)	(400)
Interest income	9,852	16,293	14,564	16,010
Interest expense	(4,789)	(9,103)	(9,642)	(7,260)
Profit before tax	9,399	21,929	3,034	21,892
Tax expense	(1,475)	(4,438)	417	(1,318)
Profit after tax	7,924	17,491	3,452	20,574
Other comprehensive (loss)/income	667	(2,884)	2,901	1,055
Total comprehensive income	8,591	14,607	6,353	21,629

Identified Entities

Notes to the financial statements (contd.)

18. Investment in a joint venture (contd.)

(e) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint venture.

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Net assets as at 1 January	236,360	207,119	189,825	170,982
Profit for the period/year	7,924	17,491	3,452	20,574
Other comprehensive income	667	(2,884)	2,901	1,055
Currency translation	19,399	14,634	10,941	(2,788)
Net assets as at 30 June/31 December	264,350	236,360	207,119	189,823
Interest in a joint venture	52%	52%	52%	52%
Carrying value of Group's interest in a joint venture	137,763	123,154	107,909	98,895

Identified Entities

Notes to the financial statements (contd.)

19. Trade and other receivables

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current				
Trade				
Third parties (Note a)	157,609	148,574	142,681	122,194
Less: Allowance for impairment (Note a)	(25,887)	(25,241)	(23,939)	(22,514)
	131,722	123,333	118,742	99,680
Non-trade				
Retention sum on contracts (Note 22)	2,761	675	-	3,981
Other receivables and deposits	6,346	4,541	20,587	14,198
Receivables from PAAB (Note b)	29,094	31,254	25,295	30,528
Receivable from the State Government of Johor	6,868	6,772	4,475	2,252
Amount due from holding company (Note c)	12,069	12,158	71,293	60,548
Amount due from joint venture (Note d)	41,340	41,340	-	-
Amounts due from related parties (Note d)	43,165	17,747	29,952	33,475
	141,643	114,487	151,602	144,982
Less: Allowance for impairment	-	-	(9)	(117)
	141,643	114,487	151,593	144,865
	273,365	237,820	270,335	244,545
Non-current				
Non-trade				
Refundable deposits	70,408	70,408	70,408	70,408
Retention sum on contracts (Note 22)	2,603	4,323	2,045	138
	73,011	74,731	72,453	70,546
Total trade and other receivables	346,376	312,551	342,788	315,091
Add: Cash and bank balances (Note 24)	373,519	472,726	395,671	377,282
Total loan and receivables	719,895	785,277	738,459	692,373

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 90 days (2014: 15 to 90 days, 2013: 15 to 90 days and 2012: 15 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Identified Entities

Notes to the financial statements (contd.)

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Neither past due nor impaired	106,046	97,804	96,995	82,583
1 to 30 days past due not impaired	2,159	5,935	4,317	5,715
31 to 60 days past due not impaired	3,850	2,295	2,726	2,321
61 to 90 days past due not impaired	4,570	5,648	6,370	2,372
91 to 120 days past due not impaired	5,779	3,784	1,567	1,466
More than 121 days past due not impaired	9,318	7,867	6,767	5,223
	25,676	25,529	21,747	17,097
Impaired	25,887	25,241	23,939	22,514
	157,609	148,574	142,681	122,194

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial period/year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM25,676,000 as at 30 June 2015 (31 December 2014: RM25,529,000, 31 December 2013: RM21,747,000 and 31 December 2012: RM17,097,000) that are past due at the reporting date but not impaired. These are good customers but with slower repayment records.

Identified Entities

Notes to the financial statements (contd.)

19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Trade receivables				
- nominal amounts	157,609	148,574	142,681	122,194
Less: Allowance for impairment	(25,887)	(25,241)	(23,939)	(22,514)
	131,722	123,333	118,742	99,680

Movement in allowance accounts:

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
At beginning of financial period/year	25,241	23,939	22,514	20,909
Charge for the period/year (Note 9)	646	1,302	1,317	1,605
Reclassification from other receivables	-	-	108	-
At end of financial period/year	25,887	25,241	23,939	22,514

(b) Receivable from PAAB

This amount represents capital expenditure on water related assets (completed and in-progress). The balances with PAAB are expected to be settled within the next 12 months.

(c) Amounts due from holding company

The holding company represents Ranhill Group Sdn. Bhd.. Amounts due from holding company are unsecured, interest-free and repayable on demand.

(d) Amounts due from joint venture and related parties

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

All trade and other receivables are denominated in RM.

Identified Entities

Notes to the financial statements (contd.)

20. Inventories

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
At cost:				
Consumables	49,937	42,523	35,552	31,660
Distillates	23,510	24,840	25,516	21,737
	73,447	67,363	61,068	53,397
At net realisable value:				
Water pipes	3,616	3,853	4,183	3,794
Water meters	2,980	2,405	2,254	1,387
	6,596	6,258	6,437	5,181
	80,043	73,621	67,505	58,578

21. Other current assets

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Prepayments	11,796	9,717	5,993	4,184
Amounts due from customers on contract work (Note 22)	12,183	6,762	3,031	3,352
	23,979	16,479	9,024	7,536

22. Amounts due from/(to) customers on contracts

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Contract costs incurred to date	162,709	135,666	142,768	207,776
Recognised profits	46,987	34,405	54,960	72,358
	209,696	170,071	197,728	280,134
Less: Progress billings	(200,071)	(171,604)	(198,179)	(279,209)
	9,625	(1,533)	(451)	925

Identified Entities

Notes to the financial statements (contd.)

22. Amounts due from/(to) customers on contracts (contd.)

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Presented as:				
Amounts due from customers on contracts (Note 21)	12,183	6,762	3,031	3,352
Amounts due to customers on contracts (Note 30)	(2,558)	(8,295)	(3,482)	(2,427)
	9,625	(1,533)	(451)	925
Retention sum on contracts				
- included in other receivables (Note 19)	5,364	4,998	2,045	4,119
- included in other payables (Note 29)	(10,334)	(8,554)	(14,878)	(10,576)

23. Other financial asset

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Financial assets at fair value through profit or loss				
Short term investment in Islamic managed funds				
- Carrying value	29,987	23,809	44,322	43,520
- Fair value	29,987	23,809	44,322	43,520

The investments in Islamic managed funds aim to provide the Group with a regular income stream that comply with Shariah requirements while maintaining capital stability.

Identified Entities

Notes to the financial statements (contd.)

24. Deposits, cash and bank balances

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Cash at banks and on hand	45,227	149,862	65,775	52,351
Short term deposits with:				
- Licensed banks	325,618	320,843	328,826	324,060
- Other financial institutions	2,674	2,021	1,070	871
Total deposits, cash and bank balances	373,519	472,726	395,671	377,282
Deposits pledged as securities to licensed banks	-	(400)	(1,130)	(1,124)
Restricted deposits, cash and bank balances	(187,092)	(215,366)	(218,929)	(199,749)
Deposits with maturities of three months or more	(2,047)	-	-	(264)
Bank overdraft (Note 27)	(95)	-	-	-
Cash and cash equivalents	184,285	256,960	175,612	176,145

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

	30.06.2015 %	31.12.2014 %	31.12.2013 %	31.12.2012 %
Short term deposits with:				
- Licensed banks	3.22	3.35	3.06	3.02
- Other financial institution	3.50	3.28	3.07	0.25

Deposits with other financial institution are placed with Malaysia Building Society 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 the Group.

Included in deposits, cash and bank balances of the Group are amount of RM187,092,000 (31 December 2014: RM215,366,000, 31 December 2013: RM218,929,000 and 31 December 2012: RM199,749,000), 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 27. Included also in deposits with licensed banks are amounts of RM nil (31 December 2014: RM400,000, 31 December 2013: RM1,130,000 and 31 December 2012: RM1,124,000) pledged as securities for credit facilities granted to the Group.

All deposits, cash and bank balances are denominated in RM.

Identified Entities

Notes to the financial statements (contd.)

25. Retirement benefit obligations

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Representing:				
Current	8,072	8,176	6,214	4,664
Non-current	84,729	83,450	79,343	76,983
	92,801	91,626	85,557	81,647

A subsidiary of the Group operates an unfunded defined benefit retirement scheme for its eligible employees. The latest actuarial valuation update of the plan was carried out as at 31 December 2014.

The movements during the financial year in the amount recognised in the statement of financial position in respect of the Group's retirement benefit plan are as follows:

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
At beginning of financial period/year	91,626	85,557	81,647	76,189
Charge to profit or loss (Note 10)	4,470	10,910	9,156	8,783
Recognised in other comprehensive income:				
Re-measurement gains on defined benefit plan	-	-	(1,437)	-
Benefits paid	(3,295)	(4,841)	(3,809)	(3,325)
At end of financial period/year	92,801	91,626	85,557	81,647

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

	30.6.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Charge to profit or loss				
Current service costs	2,227	4,666	4,482	4,453
Interest costs	2,243	4,312	4,674	4,330
Past service costs	-	1,932	-	-
Total included in staff costs (Note 10)	4,470	10,910	9,156	8,783
Recognised in other comprehensive income:				
Re-measurement gain on defined benefit plan	-	-	(1,437)	-
	4,470	10,910	7,719	8,783

Identified Entities

Notes to the financial statements (contd.)

25. Retirement benefit obligations (contd.)

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:

	30.6.2015	31.12.2014	31.12.2013	31.12.2012
	%	%	%	%
Discount rate	5.0	5.0	5.0	5.8
Expected rate of salary increases	6.0	6.0	6.0	6.0

26. Finance lease payables

The Group has finance leases for certain items of plant and equipment (Note 13).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	30.6.2015	31.12.2014	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
- Within one year	1,438	1,372	1,098	564
- Between two to five years	2,987	3,297	2,809	860
- More than five years	224	253	387	148
Total minimum lease payments	4,649	4,922	4,294	1,572
Less: Amounts representing finance charges	(365)	(421)	(407)	(132)
Present value of minimum lease payments	4,284	4,501	3,887	1,440
Present value of payments:				
- Within one year	1,262	1,183	931	505
- Between two to five years	2,864	3,070	2,575	789
- More than five years	158	248	381	146
Present value of minimum lease payments	4,284	4,501	3,887	1,440
Less: Amount due within 12 months	(1,262)	(1,183)	(931)	(505)
Amount due after 12 months	3,022	3,318	2,956	935
Effective interest rates:				
- Finance lease	3.45	3.45	3.45	4.90

Identified Entities

Notes to the financial statements (contd.)

27. Borrowings

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current				
Secured:				
Islamic Medium Term Notes ("iMTN")	55,580	55,631	55,508	55,038
Musharakah Medium Term Notes ("mMTN")	28,297	28,239	17,918	7,970
Bank overdraft	95	-	-	-
	83,972	83,870	73,426	63,008
Non-current				
Secured:				
Islamic Medium Term Notes ("iMTN")	167,329	221,695	277,326	324,202
Musharakah Medium Term Notes ("mMTN")	620,179	651,321	679,560	699,979
	787,508	873,016	956,886	1,024,181
Unsecured:				
Convertible unsecured loan stocks ("CULS")	27,077	26,923	26,616	26,349
	814,585	899,939	983,502	1,050,530
Total borrowings	898,557	983,809	1,056,928	1,113,538

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

	Repayment Maturity	30.06.2015 %	31.12.2014 %	31.12.2013 %	31.12.2012 %
Secured					
Islamic Medium Term Notes ("iMTN")	2011 - 2019	7.28	7.28	7.28	7.28
Musharakah Medium Term Notes ("mMTN")	2013 - 2029	6.30	6.30	6.30	6.30
Bank overdraft		7.60	-	-	-
Unsecured					
Convertible unsecured loan stocks ("CULS")	2019	15.28	15.28	15.28	15.28

Identified Entities

Notes to the financial statements (contd.)

27. Borrowings (contd.)

The remaining maturities of the loans and borrowings at reporting date are as follows:

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Maturity of borrowings:				
- Within one year	83,972	83,870	73,426	63,008
- Between one to two years	84,315	84,067	83,870	73,159
- Between two to five years	287,275	320,950	273,168	250,014
- More than five years	442,995	494,922	626,464	727,357
Total borrowings	898,557	983,809	1,056,928	1,113,538

All borrowings are denominated in RM.

<u>**Islamic Medium Term Notes ("iMTN")**</u>

On 27 June 2005, Ranhill Powertron Sdn Bhd ("RPI"), issued RM540,000,000 nominal value of iMTN to refinance its existing Bridging Loan of RM260,000,000 undertaken for the 120MW Open Cycle and RM280,000,000 nominal value of iMTN to finance the construction of the Conversion Cycle Power Plant. The iMTN was issued under the Shariah principal of Bai' Bithaman Ajil. The repayment of the iMTN is on an annual basis from the 3rd year of the date of issuance. The profit contribution margin ranges from 4.9% to 7.7% per annum and is repayable semi-annually.

The iMTN is secured over the followings:

(i) a debenture to create a first ranking fixed and floating charges over all present and future assets of RPI;

(ii) an assignment of all the rights, title, interest and benefit of RPI in and to the Sale and Purchase Agreement dated 31 March 1997 entered into between Kota Kinabalu Industrial Park Sdn. Bhd. ("KKIP") and its subsidiary, in respect of the sale of its long term leasehold land;

(iii) a charge and assignment of all the rights, benefit and interest of RPI in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RPI for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms)
- applicable 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

Identified Entities

Notes to the financial statements (contd.)

27. Borrowings (contd.)

Islamic Medium Term Notes ("iMTN") (contd.)

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

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.75 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 2.25 times is required for declaration of dividend and thereafter a minimum of 2.0 times is required to be maintained;

(iii) to maintain a minimum requirement reserve in FSRA and a Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(iv) cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

The iMTN is on non-recourse basis to its immediate holding company.

Musharakah Medium Term Notes ("mMTN")

On 17 June 2011, Ranhill Powertron II Sdn Bhd ("RPII"), issued RM710,000,000 nominal value Medium Term Notes ("mMTN") under the Syariah principal of Musharakah. The mMTN was issued for the following purposes:

(a) RM610,000,000 to refinance the existing outstanding loans under the Commodity Murabahah Term Financing-i and Conventional Syndicated Term Loan. The remaining balance after full settlement of the outstanding loans, was used to finance the construction of the power plant in RPII and to fund the Finance Service Reserve Account ("FSRA") as required by the mMTN;

(b) RM90,000,000 as advances to the shareholders of RPII; and

(c) the remaining balance was used to finance all costs and expenses incurred in relation to the mMTN Programme exercise (including the initial guarantee fees) and for working capital requirements.

The mMTN has a tenure of up to 18 years from the date of first issuance and is issued in 2 tranches as follows:

Tranche 1
RM360,000,000 nominal value comprising of 10 series of annual redemption maturing annually from 2 to 11 years. The Yield-to-Maturity ranges from 4.1% to 5.7% per annum, and is repayable semi-annually.

Identified Entities

Notes to the financial statements (contd.)

27. Borrowings (contd.)

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

Tranche 2
RM350,000,000 nominal value comprising of 7 series of annual redemption maturing from annually 12 to 18 years. The Yield-to-Maturity ranges from 5.15% to 5.70% per annum, and is repayable semi-annually.

The mMTN is secured over the following:

Tranche 1
(i) a debenture to create a first ranking fixed and floating charge over all present and future assets of RPII;

(ii) first assignment and charge of all the Lease Agreement and the lease on the Project land and building excluding switchyard areas and parts which are to be transferred to Sabah Energy Sdn Bhd pursuant to the Lease Agreement;

(iii) a charge and assignment of all the rights, benefit and interest of RPII in and to the Designated Accounts; and

(iv) assignment (by way of security of) on all rights, interest and benefit of RPII for the following:

- the Project Agreements (including the right to all liquidated damages payable thereunder and the right to revenues under the Power Purchase Agreement and such step-in-rights under the terms).
- applicable 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 RPII of the nominal value of each series of the Tranche 2.

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

(i) to maintain a Financial Service Coverage Ratio ("FSCR") of 1.25 times and debt/equity ratio not higher than 80:20;

(ii) a minimum FSCR of 1.75 times is required for the declaration of dividend and thereafter a minimum of 1.5 times is required to be maintained;

Identified Entities

Notes to the financial statements (contd.)

27. Borrowings (contd.)

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

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

(iii) to maintain a minimum requirement reserve in FSRA and Finance Payment Account ("FPA") to meet the profit payment due and payable semi-annually and the principal payment annually; and

(iv) cash generated from power generation are restricted for operational and administrative expenses incurred in the normal course of business.

Convertible unsecured loan stocks ("CULS")

The salient features of the CULS issued are as follows:

(a) Maturity date is 10 years from issuance of the CULS in June 1998 base on Subscription Agreement dated 30 April 1997. However, based on the revised Agreement dated May 2009, the CULS has been extended for another 10 years up to 30 June 2019 with other terms and conditions remain unchanged;

(b) Interest is accrued at the rate of 12.5% per annum and is payable in cash on each anniversary date of the CULS but is subject to lenders' requirement and at the discretion of RPI. CULS converted before anniversary date will not be entitled to the annual interest;

(c) Conversion in part or in whole is allowed before maturity date, subject to adherence to RPI's existing shareholding proportions and the shareholding restrictions. All converted shares will rank pari passu but will not be entitled to dividends declared for the financial year preceding the year of conversion; and

(d) On maturity date, the CULS, if not earlier converted, will be redeemed for its full principal amount together with all unpaid accrued interest.

The equity component of the CULS attributable to owners of the parent as at 30 June 2015 is RM1,063,000 (2014: RM1,063,000; 2013: RM1,049,000; 2012: RM1,049,000).

28. Zakat liability

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
At beginning of financial period/year	7,942	3,947	4,335	4,191
Charged to profit or loss	840	4,874	2,197	1,961
Zakat paid	(340)	(879)	(2,585)	(1,817)
At end of financial period/year	8,442	7,942	3,947	4,335

Identified Entities

Notes to the financial statements (contd.)

29. Trade and other payables

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Current				
Trade payables (Note a)	252,988	259,469	118,654	108,182
Other payables	86,855	150,306	138,219	109,052
Retention sum on contracts (Note d)	9,502	6,500	12,240	10,007
Amounts due to holding company (Note b)	29,367	29,218	12,752	12,255
Amounts due to related parties (Note c)	63,181	61,905	63,065	100,335
Amounts due to a joint venture (Note c)	94	109	173	607
	441,987	507,507	345,103	340,438
Non-Current				
Other payables	5,009	4,849	4,549	-
Retention sum on contracts (Note d)	832	2,054	2,638	569
	5,841	6,903	7,187	569
Total trade and other payables	447,828	514,410	352,290	341,007
Add: Finance lease liabilities (Note 26)	4,284	4,501	3,887	1,440
Add: Borrowings (Note 27)	898,557	983,809	1,056,928	1,113,538
Add: Service concession obligations (Note 31)	822,785	-	324,349	545,883
Total financial liabilities carried at amortised cost	2,173,454	1,502,720	1,737,454	2,001,868

(a) Trade payables

Credit terms of trade payables granted to the Group vary from 30 to 365 days (2014: 30 to 365 days, 2013: 30 to 365 days and 2012: 30 to 365 days).

(b) Amounts due to holding company

Holding company pertains to Ranhill Group Sdn. Bhd.. These amounts are unsecured, interest free and repayable on demand.

(c) Amounts due to related parties and joint venture

These amounts are unsecured, interest free and repayable on demand.

(d) Retention sums payables

Retention sums on contracts are payable upon the expiry of the defects liability period of the construction contract. Retention sums are unsecured, interest-free and are expected to be paid within 1 to 2 years.

Identified Entities

Notes to the financial statements (contd.)

30. Other current liability

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Amounts due to customers on contract work (Note 22)	2,558	8,295	3,482	2,427

31. Service concession obligations

	30.06.2015 RM'000	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Minimum lease payments:				
- Within one year	373,831	-	333,342	241,844
- Between two to five years	494,408	-	-	333,342
Total minimum lease payments	868,239	-	333,342	575,186
Less: Future finance charges	(45,454)	-	(8,993)	(29,303)
Present value of minimum lease payments	822,785	-	324,349	545,883
Present value of payments:				
- Within one year	345,455	-	324,349	221,534
- Between two to five years	477,330	-	-	324,349
Present value of minimum lease payments	822,785	-	324,349	545,883
Less: Amount due within 12 montths	(345,455)	-	(324,349)	(221,534)
Amount due after 12 months	477,330	-	-	324,349

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

As disclosed in Note 14, the Third Operating Period commenced with effect from 1 January 2015. Accordingly, there is no service concession obligations being recognised for the Third Operating Period as at 31 December 2014.

The weighted average effective interest rates per annum for the lease rental payable as at 30 June 2015 is 4.45% (31 December 2014: 4.45%, 31 December 2013: 4.45% and 31 December 2012: 4.45%).

Identified Entities

Notes to the financial statements (contd.)

32. Consumer deposits

Consumer deposits include deposits assumed from Syarikat Air Johor Sdn. Bhd. ("SAJSB"), the former water operator pursuant to the Concession Agreement amounting to RM70,407,920 (31 December 2014: RM70,407,920, 31 December 2013: RM70,407,920 and 31 December 2012: RM70,407,920).

These amounts would be repaid by SAJSB, the previous water operator, in the event that the consumer deposits fall below the value of the long term refundable deposits (Note 19).