



Pengurusan Aset Air



Annual Report 2017



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CHAIRMAN'S STATEMENT

It is always gratifying to be part of history-making that carves milestones after milestones in one's journey.

For the same reason and purpose, I am particularly pleased that Pengurusan Aset Air Berhad (PAAB) has successfully carved a significant history in restructuring the national water services industry over the past two decades since its inception in 2006.

PAAB's achievements

The sterling efficiency of PAAB is evidently reflected in the success of water treatment plants' projects being developed, completed and delivered in the first few migrated states in Johor, Melaka, Negeri Sembilan, Perak and Kelantan.

We have progressed in leaps and bounds as we moved with confidence to ensure water services industry is restructured in the manner that it will continue to benefit and serve the public including the ever-growing myriad of industries sprouting all over the country.

From the first decade of the restructuring exercise that began from 2009, we have made headways into Johor, Melaka, Negeri Sembilan, Perak and Kelantan with 90 per cent of the design-and-build projects were now completed and delivered according to schedule with a budgetary allocation of RM3.59 billion.

I am confident more water treatment plants and other water-related developmental works in the migrated states will be completed within the timeline since another RM1.73 billion in allocation has been allocated for the period between 2018 and 2020. The progress in these states and newly migrated states like in Selangor, Penang and Perlis has been strikingly excellent and I hope to see projects' completion within the scheduled timeline.

Our contributions

There is nothing short than sheer elation and optimism to be part of PAAB's restructuring exercise as strong strides forward that PAAB put in for the past two decades have brought about structural and

positive changes to the States. PAAB has contributed to the areas of cost-efficiency of the State Water Authorities and Operators when water treatment plants are now brimming and operating at optimal level.

But more importantly, we have helped to contribute to the increased and additional water supply to these migrated states. Overwhelmingly, PAAB has bolstered 461 MLD in additional water supply to these migrated States since its incorporation in 2006. It is gratifying to see that PAAB has in many ways than one contributed to improve the lives of average Malaysians with clean, treated water and indirectly helped the States in attracting investors, both foreign and local, since our basic amenities are now well managed and taken care of.

Par excellence performance

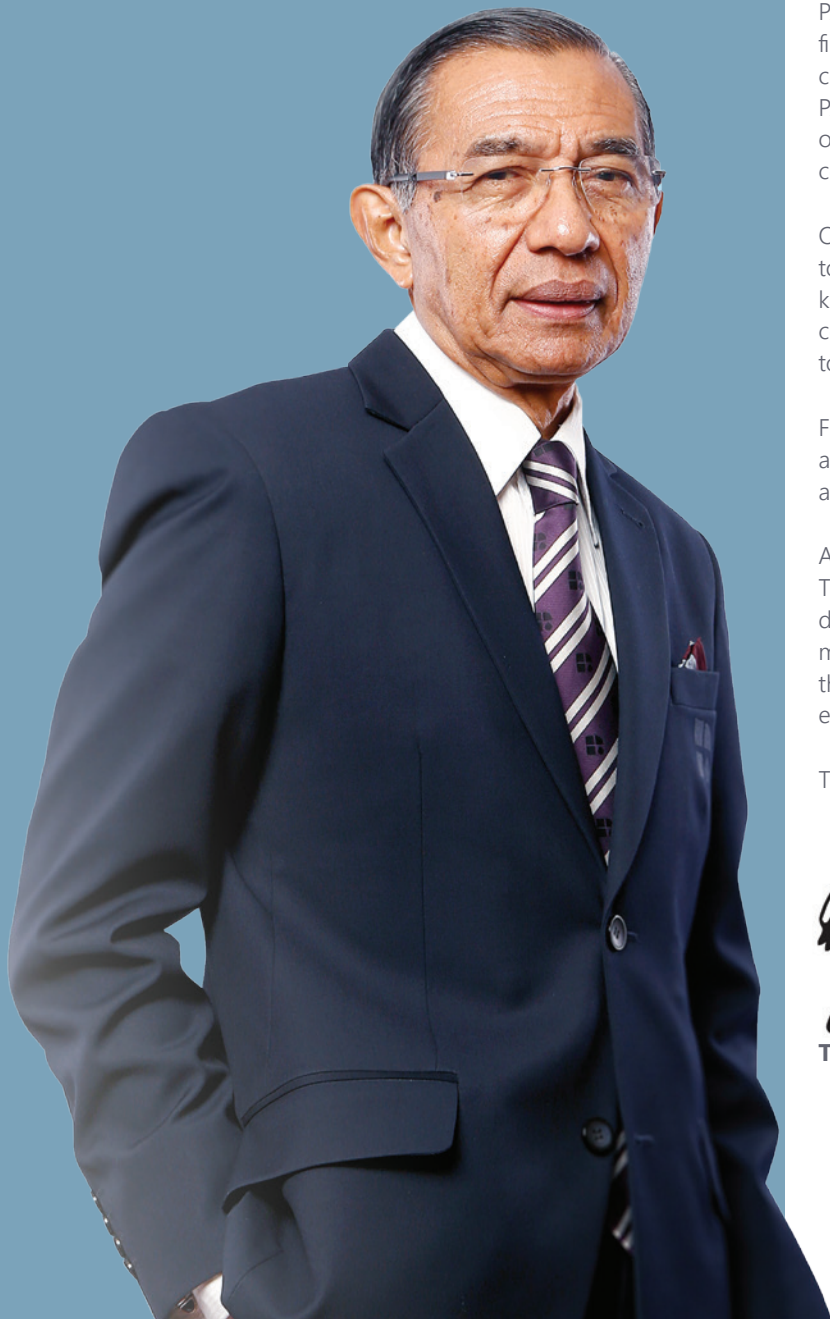
I am pleased to say PAAB has always been prudent in both capital and operational expenditure. Since cost-efficiency is imperative in managing a large corporation, PAAB has endeavoured and worked on its cost-efficiency procedures from time to time, hence producing admirable, tangible results.

For this contributory factor and its resourcefulness, PAAB has posted yet again a record profit after tax of RM283.3 million in its financial year ended 31 December 2017 as compared to RM242 million recorded in the same period last year.

It is my conviction that PAAB is poised to fete ever better in the coming years, although there have been indications of continued global economic and geo-political uncertainties. I am pleased to note, however, that PAAB remains blessed with stability and continued on a positive growth trajectory. It is just to show PAAB can weather any challenges as the company is determined to demonstrate its commitment in restructuring the national water industry to the optimum level.

PAAB's Corporate Social Responsibility

It has been PAAB's conviction that Corporate Social Responsibility



(CSR) as one of the utmost important pillars in its operations. CSR is an indicator that demonstrates the sheer commitment and responsibility that PAAB shares and engages with the community and stakeholders.

PAAB strongly believes in giving back to the society as admirable financial results do not stand alone in portraying success of a company as a responsible corporate citizen. Towards this end, PAAB has always been focused in engaging the underprivileged, orphanages, paediatric wards, indigenous people and local communities in the migrated states over the years.

Outreach programs have been organised regularly to reach out to the needy as PAAB's journey in social responsibility programs knows no boundary or destination but it is pre-destined to continue contributing to the society and it will persevere challenges to engage the society in many years to come.

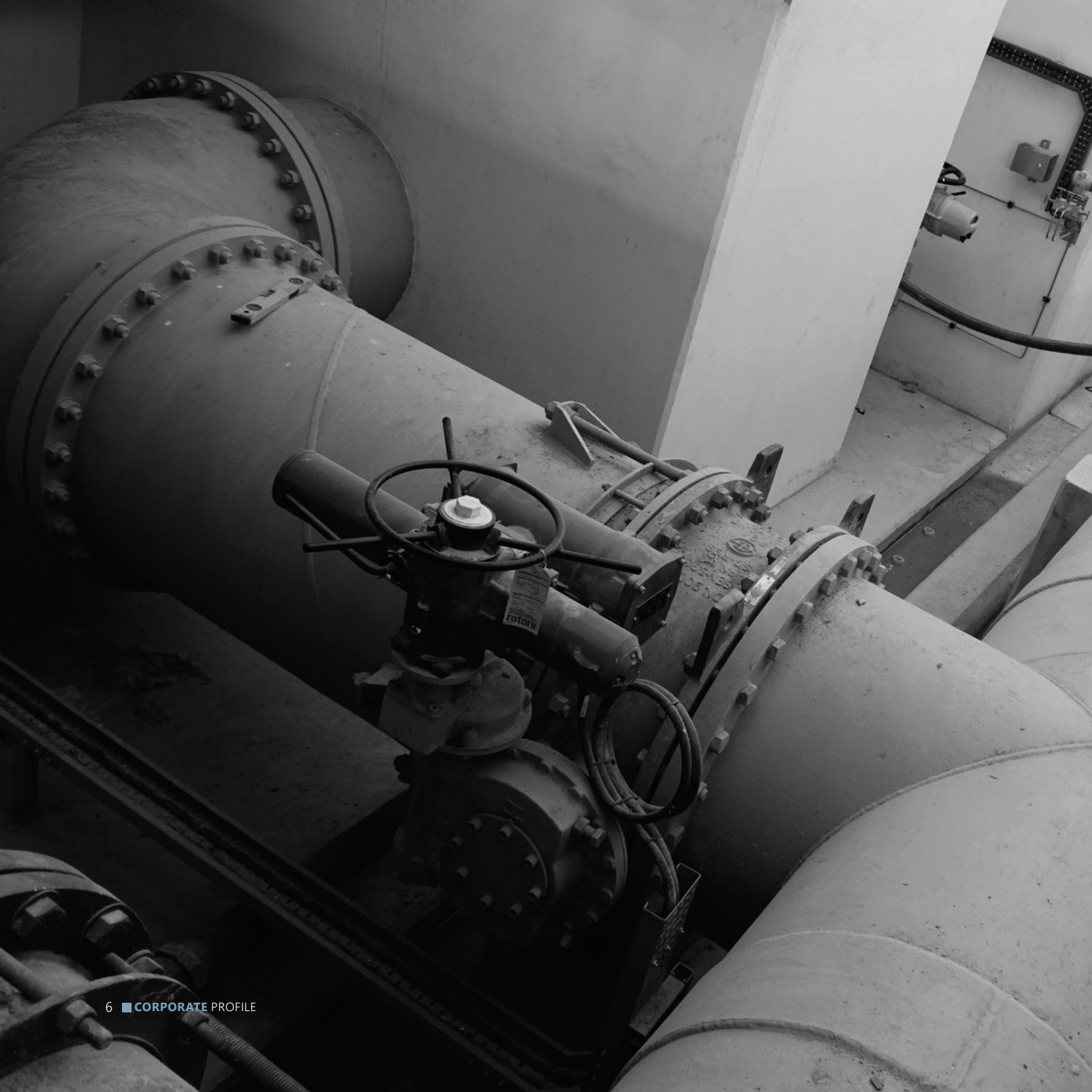
For this reason, I would like to thank the employees for their sweat and tears in rendering their firm support in making CSR programs and activities a resounding success.


And of course, employees are the heart and soul of a corporation. Their hard work, diligence and commitment to their professional disciplines have always been given priority and importance by the management. We realised the success of a company lies heavily on the human capital and we shall always cherish and yearn for the employees continued support for the success of PAAB in the future.

Thank you.

A handwritten signature in black ink, appearing to read 'Tajol Rosli', written in a cursive style.

TAJOL ROSLI





The Company has an authorised capital of RM1 billion and currently, the paid-up capital is at RM660 million.

We are committed to support the Government in achieving its national policy objectives for the water supply and sewerage services industry.

CORPORATE PROFILE

PAAB was established on 5th May 2006 as a wholly owned company under Minister of Finance Incorporated. PAAB forms part of the Federal Government's efforts to restructure the water services industry in the country to achieve better efficiency and quality.

Our primary responsibility is to develop the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with the Water Services Industry Act 2006 (Act 655).

We are tasked with the following objectives:

- Construct, refurbish, improve, upgrade, maintain and repair water infrastructure and all other assets in relation to the water systems.
- Source and obtain competitive financing for the development of the nation's water assets and lease such assets to water operators licensed by Suruhanjaya Perkhidmatan Air Negara (SPAN) for operations and maintenance.
- Assist SPAN to restructure the nation's water industry towards achieving the Government's vision for efficient and quality water services.



VISION

To Be A World Class Water Asset Provider

MISSION STATEMENT

Develop water asset infrastructure to be funded at competitive market rates

The Company is committed to develop the water asset infrastructure for the country. Funding the development at competitive market rates helps ensure sustainability in CAPEX implementation which in turn, would benefit the Company and the industry as a whole.

Operate the business based on the international standard procedures

The day-to-day business operation will be based on the best standard practice accepted by the international market. This will lead the Company to be a world class and ISO certified Company.

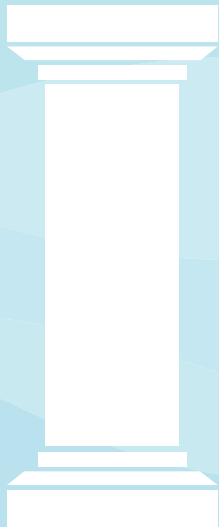
Empowering human resources to meet future industry demand

The Company continues to depend on talented personnel to carry out the day-to-day activities with efficiency & effectiveness to ensure the Company's success in the long run.

Contributing relevant expertise in order to meet the stakeholder's expectations

Being a key player in the water industry, the Company is committed to contribute relevant expertise in order to achieve sustainable growth for the Company.

KEY FOCUS AREA



Innovation Excellence

Enabling new ideas and solutions for sustainable growth.



Operational Excellence

Striving for optimum efficiency across all of our operating processes.



People Development

Enabling our people to achieve a culture of continuous improvement.



Stakeholder Management

Realising stakeholders' interest via close engagement.

CEO'S MESSAGE

The year 2017 signified a new chapter for PAAB as it moved to its second decade of operation since incorporated in 2006. A wholly-owned subsidiary of Minister of Finance Incorporated, PAAB was established in 2006 as part of the Federal Government's initiatives to restructure the national water services industry. The Water Services Industry Act 2006 provides for PAAB, as a holder of a facilities licence issued by SPAN, to develop, restore, and upgrade water infrastructure and water related assets to be funded via competitive financing.

New Chapter

The year 2017 marked the beginning of the second decade of active participation by PAAB in the water services industry restructuring exercise. From the first state migration in 2009 until December 2017, PAAB had approved budgets amounting to RM3.59 billion for the development of new water infrastructure in Johor, Melaka, Negeri Sembilan, Perak, and Kelantan. From the said approved budget allocations, 528 projects with a total amount of RM1.86 billion have been awarded and 473 projects amounting to RM1.31 billion have been completed. It is anticipated that another 127 projects totalling RM1.73 billion would be awarded by PAAB between the year 2018 to 2020 for development works in the migrated states.

The Langat 2 Phase 1 overall scheme is PAAB's single largest project undertaken to date and had achieved an overall progress of 66.7% completion against the target of 72.4% and is scheduled to be completed in 2022. Once operational, this would contribute to 1,130 MLD or 23.5% of additional supply capacity to meet current treated water demand of 4,807 MLD in the Klang Valley area.

A result of effective implementation and management of its ongoing development projects plus prudent operational and cost control, PAAB managed to record profit after tax of RM283.3 million (2016: RM242.0 million) against total income of RM1,300.4 million (2016: RM1,236.1 million) during the financial year ended 31 December 2017. This record performance reflected PAAB's commitment and focus to perform its roles in the national water services industry restructuring exercise.

Responsible Corporate Citizen

PAAB continues to aspire to be a responsible corporate citizen and strives for the betterment of the society at large.

PAAB has been exploring Research and Development (R&D) initiatives to improve the water assets and quality of water. Supporting this drive, PAAB's Board of Directors had approved a Research & Development Fund amounting to RM5.0 million for year 2017. An R&D team was formed to spearhead this initiative and

the team had conducted study visits to Germany, Japan, and the Netherlands – countries whose technological advancement in the water industry is well-established, to gain knowledge on alternative technical applications on groundwater abstraction and treatment process technologies. It is envisaged that idea and knowledge on innovation and improvement derived from this effort would benefit the water industry as well as PAAB's stakeholders at large.

PAAB also actively seeks for opportunities to give back to the society through CSR programmes. During the year, PAAB had conducted eight (8) CSR programmes under the PAAB Prihatin initiative on specific themes such as Ramadhan, Aidilfitri, Aidiladha, and Back to School with intended focus on communities in the migrated states. These programmes involved hundreds of volunteers from PAAB, various state water operators, contractors, government agencies and other corporate partners. These programmes interacted with more than 1,000 beneficiaries ranging from orphans, residents of paediatric ward, indigenous people and local communities in the migrated states. PAAB prides itself in contributing to the society and looks forward to continuing these efforts in the coming years.

PAAB believes in close and meaningful stakeholders' engagement and it is of the view that the public should be exposed to and understand the roles of PAAB in the national water services industry and its achievements better. For this, PAAB intends to continue its periodic communication with national media companies for dissemination of accurate and up-to-date progress of its water asset development projects to the public in general.

PAAB understands the importance of policymakers in the ongoing national water infrastructure development and is fully committed to the vision and direction of the policymakers. In this context, PAAB shall continue having periodic dialogues with Ministry of Energy, Green Technology, and Water (KeTTHA) and Ministry of Finance (MOF) on policy matters affecting the national water agenda.

The Future of PAAB

Moving forward, PAAB positions itself for new challenges and opportunities ahead as PAAB plans its business direction and strategies for the next operating period from 2018 to 2020. The strategies would revolve around 4 key focus areas; innovation excellence, operational excellence, people development and stakeholders' management.

PAAB would be actively exploring the possibilities of developing Renewable Energy (RE) initiative within PAAB's existing water assets. This RE initiative is intended to provide direct benefits to state water operators by reducing their operating costs, hence ultimately



benefits the consumers and the water industry in general. This RE initiative is in line with one of the United Nation's Sustainable Development Goals, i.e. affordable and clean energy, and one of the targets set in the Federal Government's Green Technology Master Plan 2017 – 2030, i.e. to achieve 30% RE contribution in energy mix.

Success is a Teamwork

SPAN had, in December 2017, renewed PAAB's facilities license for the period commencing 1 January 2018 until 31 December 2020. The renewal of license signifies SPAN's continuing confidence in PAAB's roles in the water services industry restructuring exercise which were supported by PAAB's achievements since its establishment.

The achievements of PAAB would not have been possible without the contribution from all PAAB staff since its incorporation. I wish to convey my appreciation to all PAAB staff for their commitment and dedication to PAAB. I believe these wonderful people shall continue providing their best to PAAB in the interest of the country. Allow me to take this opportunity to extend my gratitude to the Chairman and Board of Directors of PAAB for their guidance and unwavering support. Their commitment to PAAB has been critical in the company's progression and I reckon would be extended further in the future.

Last but not least, my appreciation goes to MOF, KeTTHA, SPAN, Economic Planning Unit, Prime Minister's Department, respective State Governments and water operators for their cooperation and continuous support, which would continue to remain vital for the successful collaboration among all parties involved in the future.

PAAB's commencement of the new decade has been an exciting journey. I hope the upcoming year would be a meaningful year in making things happen and with it, brings about similar success stories for all to benefit in the future.

**Director & Chief Executive Officer
MAHAZDIR MUSTAFA**





BOARD OF DIRECTORS



DATO' SERI DIRAJA
MOHAMAD TAJOL
ROS LI GHAZALI

Chairman

Dato' Seri DiRaja Mohamad Tajol Rosli Ghazali was appointed the Chairman of PAAB on 1 April 2009. He was formerly the Chief Minister of the State of Perak and had also held various portfolios in the Government namely as Parliamentary Secretary of Rural Development in 1983, as Deputy Minister National and Rural Development in 1986, as Deputy Minister of Energy, Telecommunications and Post in 1990, as Deputy Minister of Housing and Local Government in 1995, as Deputy Minister of Home Affairs in 1997 and as Minister in the Prime Minister's Department in January 1999. Dato' Seri DiRaja has been an assemblyman since he was first elected in 1977 and was a member of Parliament from 1978 to 1999.

Apart from his extensive contribution to the public administration, Dato' Seri DiRaja has also played a very active role in the development and activities of youth, within Malaysia and the Asian region. He was the President of the Malaysian Youth Council and the Secretary General of the Working Committee for ASEAN Youth Council from 1982 to 1986. From 1988 to 1991 he was the President of the Asian Youth Council.

Besides his career in the public sector, Dato' Seri DiRaja has over the last 15 years also served in various capacities in the private sector. Among positions held were Director of Applied Management Consultant Sdn Bhd, an IT consultancy company and Managing Director of Rosli, Gan & Co., which specialized in outsourcing of accounting and company secretarial services. Dato' Seri DiRaja was appointed to the Board on 21 June 2011.



MAHADZIR
MUSTAFA

**Chief Executive
Officer**

Mahadzir Mustafa was appointed as Chief Executive Officer on 18 August 2016. Previously, he was PAAB's Chief Finance Officer, responsible for the overall financial management and treasury functions.

Mahadzir brings with him over 19 years of experience in areas of financial and management accounting, taxation, corporate finance and treasury matters. Starting with a career in KPMG, he has a diverse finance experience in various industries, GLCs and MNCs, ranging from manufacturing, trading and distribution, highway concessionaire and e-commerce.

Prior to joining PAAB, Mahadzir was the Senior Finance Manager heading the Regional Financial Operations of Emery Oleochemicals Sdn Bhd, a JV between Sime Darby and PTT Global Chemical. Earlier, he managed various finance functions within the Chemical Company of Malaysia Bhd, culminating as the finance head for the Chemicals Division.

Mahadzir graduated with a BSc (Economics) in Accounting & Finance from the University of Wales, Aberystwyth. He is a Fellow of the Association of Chartered Certified Accountants and a chartered accountant with the Malaysian Institute of Accountants.



DATO' SITI
ZAUYAH
MD. DESA

Director

Dato' Siti Zauyah Md Desa started her career as a Quantity Surveyor with the Public Works Department in 1982, and later moved on to hold several other positions with a higher learning institution and several private sectors before pursuing her Diploma in Public Administration from the National Institute of Public Administration (INTAN). Upon graduation, she joined the Ministry of Finance Malaysia (MOF) and served in the Contract Management Division as Assistant Secretary from 1989 to 1993 before pursuing her Master in Business Administration (International Banking) at University of Manchester, United Kingdom.

She continued to serve as Assistant Secretary with the Tax Division and Finance Division at MOF before being promoted as Principal Assistant Secretary in 2001. In 2003, she was seconded to the Asian Development Bank, Manila as Directors Advisor until August 2006. Upon her return, she continued her service with MOF and was appointed Deputy Secretary (Economy), Investment, MOF (Inc.) & Privatisation Division in April 2008. She was promoted as Under Secretary, Loan Management Division in November 2012 and later assumed the position of Under Secretary, Government Investment Company Division on 13 January 2014. On 12 December 2014, she was promoted as the Director of National Budget Office and on 2 February 2016, was further promoted to her current position as Deputy Secretary General (Policy), Ministry of Finance.



DATO' DR
HALIM MAN

Director

He is the former Secretary General of the Ministry of Energy, Green Technology and Water, Malaysia. Dato' Dr. Halim has served the Government of Malaysia for more than 35 years and has held various senior management positions such as the Director of INTAN, Bukit Kiara, Kuala Lumpur, the Registrar / General Manager (Administration) University of Malaya, Malaysia and the Deputy Secretary General of the Ministry of Energy, Water and Communications.

He has wide expertise and experience in the development of policy on national water and sewerage and significantly involved in the pioneering efforts to restructure the water industry since 2006. His specialised skill also includes the development of human capital, especially top management training program and consulting work in areas of leadership and organizational strategy and transformation. In 2002, he was awarded the US Eisenhower Fellowship USA in recognition of his significant contributions to public services, particularly in the areas of leadership development.

Apart from a distinguished career in the public sector, he served as a board member of various organizations, including Bank Simpanan Nasional (BSN), Telekom Smart School Sdn. Bhd., Multimedia Development Corporation (MDC), Multimedia University (MMU), Malaysia-Thailand Joint Development Authority (MTJA), Yayasan Inovasi Malaysia and Malaysia Energy Centre (PTM). During his leadership at PTM, Dato' Dr. Halim initiated the establishment of Malaysia Green Technology Corporation, an agency tasked with planning and implementation of green technology programmes in Malaysia. He has also served as a Member of the Malaysian Communications and Multimedia Commission (MCMC) and as Commissioner of National Water Services Commission (SPAN). He is currently the Chairman and Corporate Advisor of a private company in Kuala Lumpur.

He holds a Doctor of Philosophy (PhD) degree in Human Resource Management and Business Strategy from the University of Birmingham, United Kingdom, a Master of Public Administration (MPA) from the University of Southern California, Los Angeles and a Bachelor of Arts and Social Sciences (BA (Hons) from Universiti Malaya.



IR. MOHD
AMINUDIN
MD AMIN

Director

Ir. Mohd Aminudin Md Amin, graduated in Civil Engineering from the University of Salford, England. He also holds a Master of Science (MSc) in Structural Engineering from the University of Strathclyde, Scotland.

Ir. Mohd Aminudin started his career with Jabatan Kerja Raya (JKR) Malaysia on 15 August 1979 as a Project Engineer in the East-West Highway Project, Gerik/Jeli. He retired as the Director of Corporate Management Branch, JKR Headquarters on 15 August 2013. During his service, he has held the positions of Director of Complex Project Management Branch, Head of Structural Engineering Forensic Unit, Head of Concrete Pavement Research Unit (IKRAM), District Engineers of Klang and Kuala Langat, Project Manager and as a Structural Designer. He has also been seconded to KL International Airport Berhad (KLIAB) from 1995 till 2000, as a Construction General Manager and Head of KLIAB Central Laboratory.

He is a registered Professional Engineer (PE) with the Board of Engineers Malaysia and has been certified as 'Certified Practising Project Director (CPPD, 2010-2013)' by the Australian Institute of Project Management. Throughout his careers, he has been awarded the Excellent Service Awards in year 1996, 2003, 2004 and 2005.



DATUK AMIRUDIN
ABD RAHMAN

Director

Datuk Amirudin Abd Rahman upon graduating from International Islamic University Malaysia with a Bachelor of Laws LL.B (Hons), Datuk Amirudin started his career path with the Judicial and Legal Service. Since 1987, Amirudin has held various positions including a Magistrate, Deputy Public Prosecutor, Legal Adviser to the then Ministry of Energy, Communications and Multimedia and Senior Director, Legal and Enforcement Department of the Energy Commission.

Datuk Amirudin is not a stranger in the water industry as he was the State Legal Adviser for Negeri Sembilan from 2006 to 2007. Whilst assuming the said post, he was involved in the negotiation, preparation, drafting and approving various legal documentations for the restructuring of the water services industry for the State of Negeri Sembilan.

In 2008, Datuk Amirudin headed the Privatisation and Contract Management Unit at the Attorney General's Chambers and was involved in the negotiation, preparation, drafting and approving various legal documentations for the restructuring of the water services industry for the States of Malacca, Johor and Kelantan. He was later appointed as the Deputy Head II, Advisory Division of the Attorney General's Chambers, where he is responsible in managing, supervising and guiding legal officers in the Ministries and Departments under the responsibility of Advisory Division as well as entrusted to overlook into all contract negotiations in respect of Government projects.

Currently, he is the Legal Advisor of the Public Private Partnership, Prime Minister's Department and is responsible for the preparation and drafting of agreement for privatization and public private partnership projects. He also gives the opinions on issues arising from the said privatization public private partnership projects.



DATUK SAAT ESA

Director

Datuk Saat Esa was appointed as Deputy Accountant General (Corporate) in the Accountant General's Department of Malaysia on 5 December 2014. He graduated from Universiti Kebangsaan Malaysia with Bachelor of Honours Degree in Accounting. He has two Master of Business Administration degrees from Universiti Putra Malaysia and Aix-Marseille University, France respectively. He is a member of the Malaysian Institute of Accountants.

Datuk Saat Esa comes with 32 years of experience in accountancy as his career in public service started in 1983 with the Accountant General's Department of Malaysia. Datuk Saat has held numerous positions from being an auditor, treasurer to director in various sectors of the public service including as an Accountant in Ministry of Home Affairs, Head of Accountant II in Ministry of Education, Auditor in Bintulu Port Authority, Director for Finance and Accounts Division in Fisheries Development Authority of Malaysia and as Selangor State's Treasury from 2007-2009.

He was then transferred back to Accountant General's Department of Malaysia in 2009 as Deputy Director of Information Technology Management Division, then as Deputy Accountant General (Corporate) until present as Accountant General of Malaysia.



ANUAR
MOHAMAD

Director

Anuar Mohamad, a Chartered Accountant (CA) and holds a Masters Degree in Business Administration (Finance) from the Universiti Kebangsaan Malaysia (UKM).

Anuar retired as Financial Controller/Bursar for University of Malaya in August 2010. Prior to UM, he has served in various capacities in the government departments and agencies such as the Foreign Investment Committee (FIC) and Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) at Prime Minister's Department, Ministry of Information and Accountant General's Department. He has more than 30 years of working experience in accounting and financial areas.



DATO' SERI IR.
DR. ZAINI UJANG

Director

Zaini Ujang is the Secretary General, Ministry of Energy, Green Technology and Water, Malaysia since 5 August 2016. He was the Secretary General Ministry of Higher Education, Malaysia since July 2015 – August 2016 and the Secretary General II, Ministry of Education Malaysia (June 2013 – July 2015), the fifth Vice-Chancellor of University Technology Malaysia (October 2008 – May 2013) and the first recipient of the prestigious Merdeka Award for the category of Outstanding Scholastics Achievement in 2009.

He was Chairman of the task force for preparing Malaysia Higher Education Blueprint (2015 – 2025) and spearheading the governance and financial sustainability shifts. He also has initiated UTM transformation program to be research technical university, from 10% to 50% enrolment of graduate students within five years (2008 – 2013); and initiated research collaborations with MIT, Imperial College London, Cambridge and Oxford.

His academic contributions are in the field of environmental management and technology, particularly water and wastewater treatment sustainable resource strategies and industrial ecology. Apart from his involvement in his academics, he also served on various public agencies such as Chairman of Environmental Quality Council, Malaysia (since 2009), and member of National Water Services Commission (2007 – 2014).

He has written more than 250 scientific papers published in leading academic journals and proceedings, and 33 books on environmental engineering, water sustainability, higher education and learning innovation, and published more than 1000 articles in mainstream media since 1988.

He is also active in voluntary bodies: Vice-President of International Water Association (2004 – 2006), Editor of Water Science and Technology since 2000 and President Harvard Business School Alumni Club of Malaysia (2016).

He is a Fellow at the Swedish Royal Physiographic Society in Lund (Sweden), Fellow at the Science Academy (Malaysia) Fellow at the Institute of Chemical Engineering (UK) and seeing Fellow of Institute Water Association.

He is also registered as a Professional Engineer (Malaysia), Chartered Engineer (UK), Chartered Scientist (UK), Chartered Water and Environmental Manager (UK). He was also a Visiting Professor at MIT (the United States), Imperial College London (UK), and Tsukuba University Japan.



DATUK HAJI
SHAMSUL BAHARI
ABDUL AZIZ

Director

Datuk Haji Shamsul Bahari Abdul Aziz, appointed as Board of Directors of PAAB on 21 September 2016. He is a Fellowship Member Institute Production Control (UK) and Corporate Member Institute Works Managers (UK). He holds a Degree BA Business Management(Industrial) from England, UK and Diploma in Entrepreneurial Management from Waterloo, Canada.

Datuk Haji Shamsul bring with him experience in Civil & Mechanical Engineering, Oil & Gas Industries, Aviation Industries and Bio-Technology Industries with his 37 years working with local and international companies. Currently, he is the Chief Executive Officer of PSI Technical Service Sdn. Bhd. holds a PETRONAS licence to provide engineering services in drilling project management and consultancy, house consultancy and manpower supply for upstream oil & gas.

Datuk Haji Shamsul serves in various leadership and voluntary roles which include Deputy Chairman, Majlis Perwakilan Penduduk, Parliament Titiwangsa; Board of Directors Perbadanan Pembangunan Kampung Bharu; Honorary Secretary and Visiting Board Member of General Hospital Kuala Lumpur; Committee Member of Masjid Jamek Kampung Bharu and Treasurer of UMNO, Titiwangsa. His engagements with the government and private sector have benefited the community in delivering their necessities and needs.



TAN SRI DATO'
CHANG KO YOUN

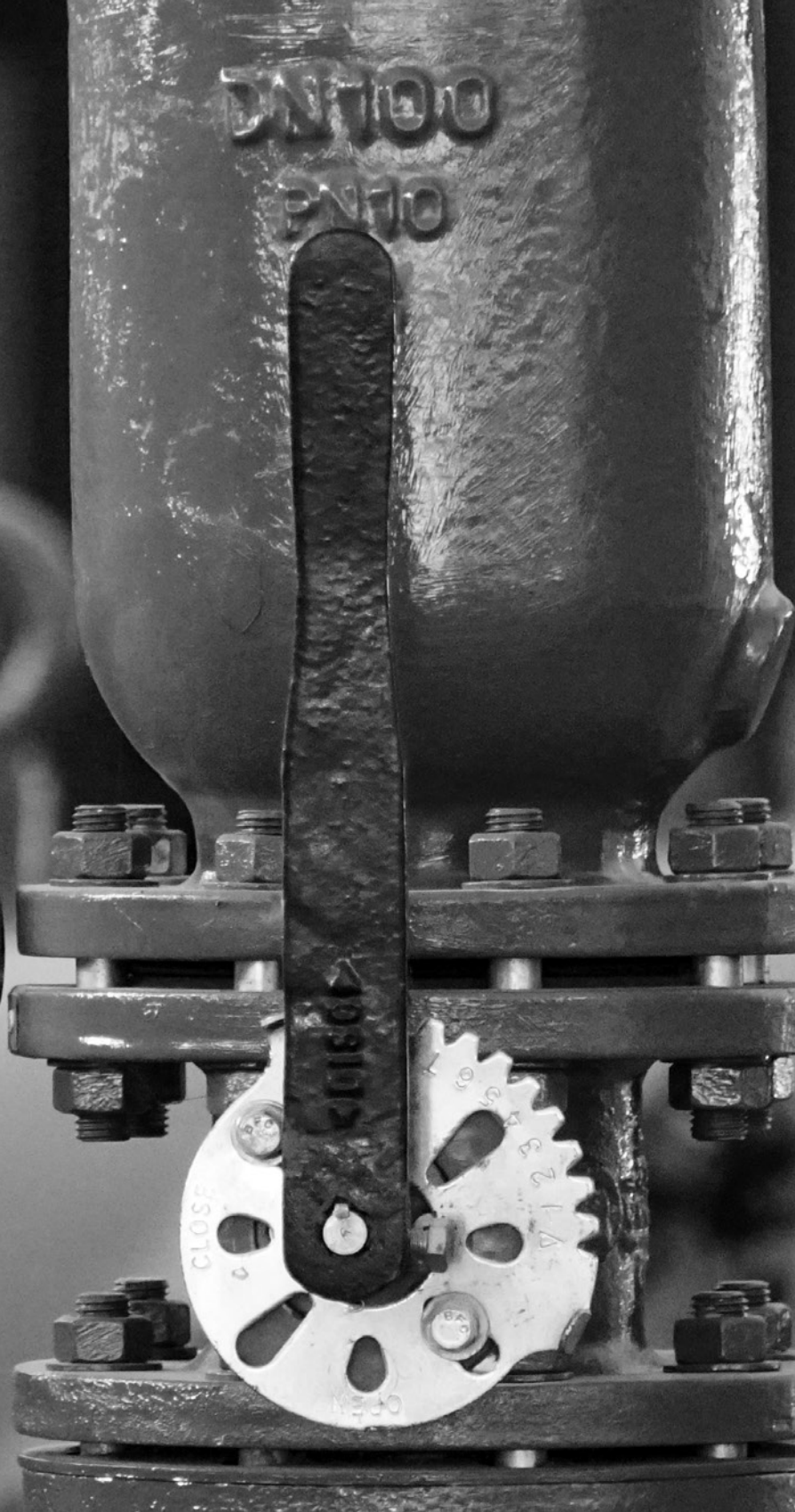
Director

Tan Sri Dato' Chang Ko Youn was appointment to the Board in 2017. He graduated with a Bachelor of Laws (Hons) from the University of Hull, England in 1981. In 1982, he was called to the English Bar as a Barrister-At-Law of Lincoln's Inn, London and was subsequently called to the Malaysian Bar in 1983.

Tan Sri Dato' Chang Ko Youn began his career as a lawyer in Ipoh in 1983 until 1995 where he was attached to Chang Ko Youn & Co. In 1987, he was appointed as Councilor of the Kuala Kangsar District Council until 1995.

Over the years, he has held numerous positions including Perak Gerakan Youth Chairman, Perak State Chairman, Chairman of its National Youth, National Deputy President and Acting President. In 1995, he was appointed as a Member of the Perak State Executive Council until 2008. In 2009 he was appointed as the Advisor of the Chief Minister of Perak State Government until 2013.

Since 2014, he had resumed his legal practice at Toh Theam Hock & Co. in Ipoh, specialising in banking, commercial and conveyancing matters and appointed as Chairman of Yayasan Penjaja dan Peniaga Kecil (YPPKM), a body handling micro-credit for pretty traders sponsored by Ministry of Finance.





MANAGEMENT PROFILES



MAHADZIR
MUSTAFA

**Chief Executive
Officer**

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Mahadzir graduated with a BSc (Economics) in Accounting & Finance from the University of Wales, Aberystwyth. He is a Fellow of the Association of Chartered Certified Accountants and a chartered accountant with the Malaysian Institute of Accountants.



ABDUL HADI ALI

**Chief Corporate
Officer**

Abdul Hadi is the Chief Corporate Officer since April 2013. In 2010, he joined as an Assistant General Manager, Treasury under Finance Division and was responsible for the treasury management activities in the Company.

Abdul Hadi has over 20 years of treasury experience both in corporate and banking environment. In 1989, he started his career with PETRONAS in money market and foreign exchange desk and later moved to fixed income portfolio management. He made his foray into banking industry by joining Aseambankers Berhad in 1994 and he became the Chief Dealer and later promoted as the Head of Treasury in 1999. He moved to Hwang DBS Securities in 2002 to establish the private debt securities (PDS) trading desk and joined KAF Discount Berhad (later known as KAF Investment Bank), in 2003 as the Head of Sales. In 2008, Abdul Hadi left Malaysia to join the Islamic Development Bank, a multilateral development bank based in Jeddah, Kingdom of Saudi Arabia as a Financial Market Specialist. His main responsibility was in the area of liquidity and currency basket management (Islamic Dinar).

Abdul Hadi graduated from University of Missouri at Kansas City, USA with Masters in Business Administration (Finance) and Bachelor of Business Administration (Finance) from Loyola University, New Orleans in USA.



NOR IFUAN
MD NOR

**Chief Operating
Officer**

Nor Ifuan Md Nor was promoted to Chief Operating Officer in April 2013. He joined in 2009 as Head of Procurement and Corporate Services Department and was responsible for overseeing the management and co-ordination of all matters relating to tendering and awarding of contracts, central procurement contracts, Corporate Communications, ICT support services and office administration. He was redesignated as Head of Corporate Services in 2010 and subsequently as Head of Commercial Division in 2012.

Nor Ifuan started his career as consultant Quantity Surveyor with Baharuddin Ali & Low Sdn. Bhd. and later specialised in contractual disputes and arbitration with CIC-QS Services Sdn. Bhd. He then moved to RHB Property Management Sdn. Bhd. as Head of Special Projects. Subsequently, he joined a project management company as Project Director before joining Ranhill Berhad as Project Control Advisor in Group COO's office.

Nor Ifuan graduated with a BSc (Hons) in Quantity Surveying from University Of Salford, United Kingdom and has over 20 years of experience in the areas of construction, project management, contracts management and costs control.



HAJI
KAMARUDDIN
HAJI ABDUL
RAZAK

**Head of Special
Projects Division**

Haji Kamaruddin is the Head of Special Projects Division since July 2014. Prior to this appointment, he was the Head of Project Management Division since 2012. He is responsible to established quality standards and efficient management of the project undertaken by the Company in every state. In 2008, he joined PAAB to take charge of Project Loji Rawatan Air Langat 2 (LRAL2).

He brings with him 30 years of experience in civil engineering, sewerage & drainage and infrastructure. He started his career in Dewan Bandaraya Kuala Lumpur in 1980 and continued his 3 years Bachelor degree study. Upon graduation, Hj Kamaruddin re-joined DBKL before he moved to KLCC Berhad in 1992. He developed and embarked his professional career as the General Manager of Technical Services and subsequently the General Manager of Migration team to oversee the movement of Prime Minister's Offices to the new administrative capital, Wilayah Persekutuan Putrajaya. In 2006, he was the Project Director of WWE Holdings Berhad he spearheaded the design and build contract for the construction and completion of sewerage treatment plant in Jelutong, Pulau Pinang.

Haji Kamaruddin graduated from University of Strathclyde, Glasgow, Scotland, United Kingdom with Masters of Science in Public Health and Environmental Control Engineering and holds a Bachelor of Science in Civil Engineering from University of Glasgow in Scotland and Diploma in Civil Engineering from University Technology of Malaysia (UTM).



IR. ZAINAL BIN
NAGIN

**Head of Facility &
Planning Division**

Ir. Zainal Nagin is the Head of Facility & Planning Division started January 2018. He was entrusted to lead and oversee the overall capital expenditure (CAPEX) implementation exclusively on CAPEX planning, approval process, budgetary as well as asset and land management. He joined PAAB in February 2010 as a Manager. In 2012, he was promoted as the Head of Department of Southern Region and later headed the Project Management Division in January 2015. To date, he has accumulated over 23 years of experience, especially in the water industry.

He started his career in 1991 as a project engineer in a contracting firm specialising in Power Plants and Water. In 2002 he joined a consultancy firm specializing in water as a senior mechanical engineer. He was involved in various projects focusing on design, preparation of tender document and implementation of new water treatment plant, plant upgrading and refurbishment as well as distribution systems in various states of Malaysia. One of his main project involvements was Kepong II Water Treatment Plant and its distribution systems located in Kuala Terengganu. The project consists of 150 MLD Water Treatment plant, intake, 1400mm dia raw water pipeline and distribution to consumers within the vicinity of Kuala Terengganu and Marang demand areas.

Ir. Zainal graduated from the University of Canterbury, Christchurch, New Zealand with Bachelor of Engineering degree (B.E. Mech). He is a registered professional Engineer with Board of Engineers, Malaysia (BEM) and Institution of Engineers, Malaysia (IEM).



SHAHARUDDIN
NOR MOHAMED

**Head of Project
Management
Division**

Shaharuddin Nor Mohamed is the Head of Project Management Division of PAAB. He is responsible to oversee the project implementation from design stage to handing over of the project to Water Operator. He joined PAAB in November 2007 as Civil and Structural Engineer and later headed the Project Management Department under Projects Division in July 2010 and was promoted as Head of Facility & Planning Division in 2012.

He started his career as a design engineer in a consultancy firm with direct involvement in water supply projects. He has undertaken various projects focusing in designing and managing new water treatment plant, plant upgrading and refurbishment as well as distribution systems namely in the states of Terengganu Darul Iman, Kelantan Darul Naim and Pahang Darul Makmur.

Shaharuddin graduated in Bachelor of Engineering (Civil and Structural) from Universiti Kebangsaan Malaysia in 1997. He is as well a member of Board of Engineers, Malaysia (BEM) and the Institution of Engineers, Malaysia (IEM).



**MOHAMAD
MOHAMAD NOR**

**Head of Commercial
Division**

Mohamad Mohamad Nor was promoted to Head of Commercial Division in Jan 2013. He has extensive experience in tender, contract and procurement. He started his career as a Project Engineer with Petra Resources Sdn Bhd in 1993. Subsequently, he joined Transwater Engineering Sdn Bhd and served the company from 1995 to 1998 in project management.

He joined Indah Water Konsortium and served in various departments within the Consortium namely Project Management and Contract Administration from 1998 to 2007 before seconded to PAAB in 2007 under the Tender and Contract Department.

Mohamad holds BSc (Hons) in Chemical Engineering from University of Technology Malaysia, Johor Bahru and has over 15 years of experience in the areas of construction, project management and contract administration.

As a professional, Mohamad has led assignments in performance improvement, project management and implementation. He has a wide range of experience in the government and utilities sectors as well as numerous involvement in oil & gas services.



**ZULHAYATI
YAHYA**

**Head of Human
Resources &
Administration**

Zulhayati Yahya joined PAAB on 1 July 2008. She was promoted to Senior Manager, Human Resource on 1 January 2011 and was re-designated to the current position following the merger of the Human Resource Department and the Administration Department on 1 January 2012.

She holds a Degree in Business Administration from Eastern Washington University, USA and has with her over 25 years working experience in the Human Resource and Administration roles which she had gained from her employment with several companies of various industries.

She started her first career with Uniphone Sdn Bhd before joining Coopers & Lybrand 2 years later. She stayed with Coopers & Lybrand for 4 years before moved on to join Bumiputra Merchant Bankers Berhad, which later merged with Amanah Merchant Bank to become Alliance Merchant Bank and later known as Alliance Investment Bank. She spent 13 years working with the banking services before joining PAAB.



**ROZAIFEE ABU
ZAHARIM**

**Head of Finance
and
Treasury Division**

Rozaiffee Abu Zaharim is the Head of Finance and Treasury Division of PAAB. He joined PAAB in April 2017 and is responsible for the overall financial management and treasury functions of PAAB.

Prior to joining PAAB, Rozaiffee was the Head, Finance Operations of UEM Edgenta Berhad. He has diverse Finance and Treasury experience over his 20 years' tenure with UEM Group ranging from Highway Concessionaire, Construction and Assets & Facilities Management Divisions. He also brings with him his experience in overseas assignment where he was the Head of Finance for one of UEM's subsidiary company in India.

Rozaiffee is a Chartered Accountant member of the Malaysian Institute of Accountants and also an Associate member of the Chartered Institute of Management Accountants (ACMA) as well as Chartered Global Management Accountant (CGMA).

GROWTH IN MIGRATED STATES

2008



2008

Melaka : Syarikat Air Melaka Berhad



2008

Negeri Sembilan : Syarikat Air Negeri Sembilan

2009



2009

Johor : SAJ Ranhill Sdn Bhd



2010

Perlis : Syarikat Air Perlis

2010

2015

2016

2011



2011

Penang : Perbadanan
Bekalan Air

2012



 **LEMBAGA AIR PERAK**

2012*

Perak : Lembaga Air Perak



2015

Selangor : Air Selangor



2016

Kelantan : Air Kelantan Sdn Bhd

GROWTH IN MIGRATED STATES

Water restructuring exercise continues to be a fundamental component of PAAB which has been licensed under the Water Services Industry Act 2006 with SPAN as the licensor to develop, restore, and upgrade water infrastructure and water related assets.

PAAB has made strong strides forward since it was incorporated in 2006. In all eight States, namely, Melaka, Negeri Sembilan, Johor, Perak, Kelantan, Perlis, Selangor and Penang, the initiative to restructure the national water services industry has remained the mainstay of the company's key result areas by designing and building new Water Treatment Plants (WTP), and restoring and upgrading water infrastructure.

Most of the projects in these states have admirably reached its completion while some have achieved excellent schedule ahead of their timeline of completion. As PAAB continues its journey, the company has rolled out numerous water system projects to ensure the fruits of modernisation benefited all especially the stakeholders' states. All these efforts were conceived to accelerate the delivery of unprecedented big and quick wins to the people, investors and the state water operators.

Massive water system projects continue to be undertaken by PAAB in **MELAKA**, making the State as one of the most active that restructuring exercises ever carried out.

Melaka has proposed to expand its existing Merlimau WTP that was built and started to operate in March 2005 with design capacity of 55 MLD. The design of the existing treatment plant had also taken into consideration for future expansion of additional capacity of 55 MLD. The current average production of Merlimau WTP is 43 MLD. Due to rapid growth and development in Merlimau area, the existing Merlimau WTP needs to be expanded further to cater for increasing future water demand.

With the completion of the expansion of Merlimau WTP and related pipeworks from Bukit Perah reservoir by 17 July 2019, the enhanced distribution network will be able to supply water to Jasin and reclaimed areas in Melaka City and its surrounding areas. The project that began since 14 August 2017 will fetch a cost of approximately RM39.4 million.

Another project which have taken flight since 24 May 2017 are the design and build of a new WTP at Bukit Bahudin 3 reservoir with a capacity of 4.5 ML and related water system works in Mukim Chin Chin in the district of Jasin. The project, expected to be completed by 7 September 2018 will cost approximately RM 8.6 million.

The Bukit Bahudin project, located in the district of Jasin, will cater to future demands since there have been massive developments including an industrial estate here. These development areas need treated water in high volumes and the demand is expected to increase in the future. With the completion of Bukit Bahudin 3 Reservoir, the treated water supply will be able stabilized and increased to cater for higher water demand for the upcoming industrial projects in Bemban, Jasin and the surrounding areas.

In **NEGERI SEMBILAN**, PAAB has been tasked to complete two major water restructuring exercises. They are the extension works of Sawah Raja Water Treatment Plant (WTP) and water supply project for Seremban Barat. The extension works of Phase 2, Sawah Raja WTP and other related works was originally initiated by Syarikat Air Negeri Sembilan (SAINS) since July 2010.

When PAAB took over the extension works on 15 August 2016, the company's intent and purpose was to reduce dependency on water supply to the southern region of Rembau District from the existing Gemenchah WTP which is located at Tampin District. There was inadequacy of the existing water supply production capacity of Sawah Raja WTP to cater for the existing and future water demand of Rembau District. The existing Sawah Raja WTP is currently operating at approximately 50 MLD. The distribution areas are covering 95% of Port Dickson District and 5% of Rembau District.

With the completion of Sawah Raja WTP and Bukit Sembilan balancing reservoir in 2018, it will increase the existing water supply capacity by another 50MLD, thus making the total production of 100MLD and expected to provide more stable water supply especially for Rembau District. The whole project is expected to cost approximately RM62.4 million.

Meanwhile, the upgrading works for Seremban Barat water supply scheme that was commenced in 26 April 2017 was proposed to cater for the rapid development of Seremban Barat area which covers part of Mukim Rasah, Mukim Rantau and Mukim Labu. This project,





costing some RM22.2 million, consisted of construction of 15ML balancing reservoir, supply and lay of 800mm diameter pumping main and 750mm diameter gravity main MS pipe, electrical and instrumentation works and infrastructure works. Upon completion, treated water will be pumped to the Bandar Baru Enstek suction tank. Stored water at Gadang reservoir will then flow by gravity to Nusari Bayu's Suction Tank.

The project is a continuation from SAINS's project for the construction of suction tank and pump house at Bandar Baru Enstek since it was initiated in January 2017. PAAB took over and proceeded with the construction of Bukit Gadong balancing tank. The whole project that is scheduled to end by 25 April 2018 will see the completion of the fundamental design of water supply distribution system of Seremban Barat.

Since there has been massive development in **JOHOR** over the past years, PAAB has successfully implemented a total of 17 major projects, costing approximately RM291.2 million, making the state with the most number of projects in the country. There are still nine (9) other on-going massive projects, costing approximately RM173.4 million in Johor that will see staggered completion over the next few years.

Among the on-going projects worth mentioning here include:

- The new Buluh Kasap New WTP, with the capacity of 16 MLD, is intended to cater the increasing water demand in Segamat, Johor as well as new developments within the area. The implementation of the scheme is also to ensure the availability of water treatment plant reserve margin. Currently, the Segamat District obtains water supply from three (3) main water treatment plant namely, Bkt. Hampar WTP, Kg. Tengah 1 WTP and Kg Tengah 2 WTP, and Jementah WTP which are supplying to Paya Jakas and Kg.Teratai. The project, costing approximately RM61.4 million, has commenced in April 2017 and is expected to be completed in April 2019.

- The upgrading works under Package 1 at Bukit Serampang water treatment plant and improvement on the distribution system at Felda Pemanis have begun on 5 July 2017 and these projects will help to increase production of portable water to 8.0 MLD for supply to Mukim of Bukit Serampang, Ledang District. The project is scheduled to complete by 5 May 2019 with a cost of approximately RM 29.4 million.
- The Package 2 at Bukit Serampang WTP and Felda Pemanis will also see another upgrading works that involve upgrading involves increasing water intake and the refurbishment of related facilities to meet water demand in Felda Pemanis area from 2.3 MLD to 4.0 MLD. The project, which commenced on 5 July 2017 and costing approximately RM16.6 Million, is scheduled for completion in 4 February 2019.
- Another upgrading works in the pipeline are the main distribution system from Yong Peng to Sg Berlian and improvement works in Parit Sulong, both in Batu Pahat. The works, that began on November 6, 2017, was designed to upgrade the existing Seluyut pump house to improve the supply system of portable water at Seluyut area, Kota Tinggi, Johor Darul Takzim. The upgrading works, costing approximately RM4.2 million, is expected to complete by 5 November 2018.
- The Sungai Lebam Water Treatment upgrading works, that began on 20 June 2016, has been designed to increase production of portable water to 82 MLD for supply to Desaru development area and supply to construction of Refinery and Petrochemicals Integrated Development (RAPID) by Petronas at Pengerang, Kota Tinggi. It is scheduled for completion in 16 November 2018 and it cost approximately RM33 million.

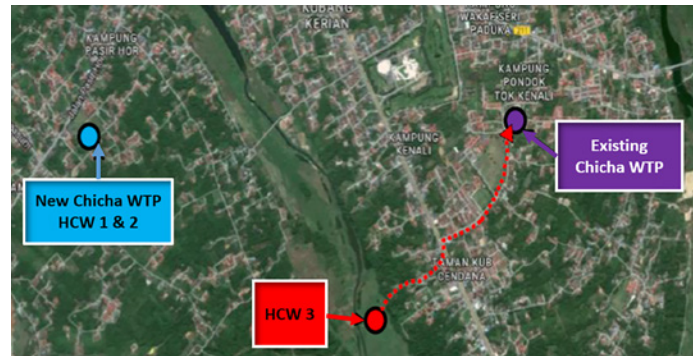


GROWTH IN MIGRATED STATE

- The new Buloh Kasap WTP with 16 MLD in capacity and started its construction in 25 April 2017 was designed to cater the increasing water demand in Segamat, as well as new developments within the area. The project scheduled to complete by 24 April 2019 with a cost of approximately RM 59 million.
- The new 40 MLD Pagoh WTP is one of the main projects in Johor that PAAB has undertaken so far. The cost of the project is approximately RM105.5 million and it will see completion by 25 August 2019. The new treatment plant is intended to cater the increasing water demand in Muar, as well as new developments within the area especially for Pagoh Edu Hub.

In **PERAK**, PAAB has undertaken projects at the Kerian district at the Ipoh-Taiping-Parit Buntar Industrial Development Corridor as well as the Northern Corridor Economic Region (NCER) since 26 October 2015. Since these areas have been earmarked to have high growth potentials, several development projects are proposed for this district, where the water demand is expected to increase in the future. Lembaga Air Perak (LAP) has proposed the construction of Sg. Rawa WTP with the capacity of 40 MLD implemented in the first stage to undertake the increased of water demand in the district.

With the completion of Sg. Rawa WTP costing approximately RM120 million, treated water supply to Kerian District currently being served by both Jalan Baru and Gunung Semanggol WTPs which have already reached design capacity can be interchanged with the new constructed Sg. Rawa WTP to cater higher water demand due to vast project development in the area. This project is scheduled to complete by 12 June 2019.



In **KELANTAN**, PAAB has began execution of consultancy on design and build of 40 MLD new Chicha WTP and distribution system since 20 September 2017. Air Kelantan Sdn Bhd (AKSB) has proposed to upgrade the existing Chicha WTP from 80 MLD to 120 MLD by constructing a new non-chemical WTP complete with Horizontal Collector Well (HCW) system.

The Project involves supplementing the existing Chicha WTP by constructing a new 40 MLD non-chemical WTP at Mukim Pasir Hor with two (2) HCW to extract groundwater from the same location at the new WTP site. Another proposed HCW is located adjacent to Sg. Lubuk Mulong, to supply raw water to the existing Chicha WTP. It is expected to draw water through the interception of river underflow using River Bed Filtration (RBF) system. Areas to be served by the new Chicha Fasa 2 WTP include Mukim Pasir Hor and the surrounding areas, as well as in Kubang Kerian area.

Meanwhile, the upgrading works for existing Tanjung Mas WTP has been proposed by AKSB to cater rapid development within the vicinity. Currently, the average plant production is 12.6 MLD which has exceeded the design capacity of 11.5 MLD in order to cater for the current demand area in some enclaves in Kota Bharu area, 8th Bridget Camp and Sultan Ismail Petra Airport (Pengkalan Chepa Airport), Cherang and Paya Bembam. The source of raw water of the existing WTP is obtained from the tube wells scattered within the WTP's compound. AKSB has also proposed to construct one (1) HCW with a new 30 MLD non-chemical WTP.



LANGAT 2 WATER SUPPLY PROJECT

The Langkat 2 Water Supply Project (Langkat 2) is a major water supply project for the state of Selangor and the Federal Territory of Kuala Lumpur, envisaged to provide the water supply needs of the state up to year 2025.

The raw water source for Langkat 2 will be the Pahang-Selangor Raw Water Transfer Project (hereinafter referred to as the PSRWT Project), presently undertaken by the Federal Government. The PSRWT Project will convey raw water from the Sg Semantan in the state of Pahang through a transfer tunnel to the state of Selangor.

The major features of Langkat 2 will be the development of the following:

- Raw Water Outlet Connecting Chamber downstream of the Outlet Portal of the PSRWT Transfer Tunnel and 4 nos. 3000 mm dia Raw Water Gravity Mains from the Raw Water Outlet Connecting Chamber to the Langkat 2 Water Treatment Plant (WTP);
- The Langkat 2 WTP;
- Residuals dewatering and landfill facilities;
- Western Corridor Bulk Distribution Works comprising:
 - 210 MI Bukit Enggang Balancing Reservoir,
 - 22 MI Sg Besi reservoir,
 - 22 MI Bukit Jalil reservoir,
 - 80 MI Petaling reservoir, and
 - associated bulk distribution pipelines;

- Northern Corridor Bulk Distribution Works comprising:
 - 92 MI Hulu Langat Balancing Reservoir,
 - 36 MI Ampang reservoir,
 - 26 MI AU3 reservoir, and
 - Associated bulk distribution pipelines.
- Bulk distribution pipelines to existing Langkat balancing reservoir.

The water will be treated at the Langkat 2 WTP, which will have an ultimate capacity of 2260 MLD. The Langkat 2 WTP will be developed in two equal Phases each of nominal capacity 1130 MLD. The treated water will be pumped to the Bukit Enggang Balancing Reservoir and the Hulu Langat Balancing Reservoir. From these balancing reservoirs, the treated water will be distributed via separate bulk distribution pipelines to the Western Corridor, Northern Corridor and the existing Langkat balancing reservoir.

Despite many challenges faced, In June 2017, the laying of 4 nos. 3000mm diameter raw water pipes with total length of about 11km connecting the outlet portal of Pahang-Selangor Raw Water Transfer Tunnel to Langkat 2 WTP was completed. This is one of the main scopes under the Langkat 2 Works.

As of December 2017, out of total 19 construction Packages planned, 2 Packages completed, construction of 10 Packages is ongoing and remaining 7 Packages is under tender and design stage.

We achieved the overall progress of about 67% against the targeted of 80% in end of December 2017, whereas, in end of 2016, the overall progress was 55.5%.

MELAKA - FIRST TO MIGRATE

For the first time in decades, water services industry in Malaysia has never seen phenomenal changes in efficiency and quality after PAAB took the responsibility of restructuring the nation's water services industry. A wholly owned company under Minister of Finance Incorporated and established on 5 May 2006, PAAB was tasked to develop the country's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with the Act 655.

Over more than a decade, PAAB has progressed by leaps and bounds and as much as the admirable results produced that spoke for themselves, it has many success stories to tell. One of them is the acquisition of water assets in Melaka of which the state water operator, Syarikat Air Melaka Sdn. Bhd. (SAMB) became one of its first clients when the latter agreed for PAAB to restructure the water supply systems in the historical State of Melaka back in 2008.

Since the task was to construct, refurbish, improve, upgrade and repair water infrastructure and all other assets in relation to water systems, PAAB began its maiden journey to design and build water supply system to Rembia Industrial Estate in Alor Gajah on 12 April 2010.

It took the company almost two years to plan the nitty gritty details for the implementation of the maiden project including sourcing and obtaining competitive financing the water assets and the leasing of the assets to the state water operator as required in the license imposed by SPAN for such operations and maintenance. PAAB justified and observed strictly on the contractors to work on its projects. Under the license, the Act 655 provides for PAAB, as a holder of a facilities licence issued by SPAN to develop, restore, and upgrade water infrastructure and water related assets to be funded via competitive financing.

The hard work paid off. PAAB tasted its first sweet success when it delivered the project a year later to the client and stakeholder on 16 December 2011. Water supply system to Rembia was designed and built to consist of water intake, pumping house, raw water pipeline and new reservoir at Kolam Bukit Bulat that supplied raw water from Durian Tunggal Dam through a pumping line to the new terminal reservoir.

The outcome of this project was the capability of raw water supply was upgraded. It was now flowing to Rembia Industrial Estate and AUO Sunpower in Alor Gajah with such ease for their production and manufacturing activities.

As Rembia project was on-going, PAAB began planning to develop the Bertam DAF Phase 2 Water Treatment Plant in Durian Tunggal in four packages that ran through a period of four years' in implementation from 2011.

The first contract was awarded on 28 March 2011 with the purpose of supplying water intake at Durian Tunggal Dam and building raw water pump house and raw water pipeline distribution to a new DAFII water treatment plant.

The results were simply amazing as new raw water intake had increased the capabilities to treat raw water at DAF II which produced additional 120MLD to the existing 302 MLD produced by both old Bertam WTP and DAF I. New raw water intake had provided a surplus and increased volume of treated water to the whole Bandaraya Bersejarah Melaka and some enclaves in Alor Gajah and Jasin districts. PAAB yet again successfully delivered the project after it was completed on 17 May 2013.

Almost simultaneously, development works on Bertam DAF Phase 2 Water Treatment Plant (Package 2 DAF II), Durian Tunggal commenced soon after the project was awarded on 3 May 2011. Bertam DAF Phase 2 water treatment plant was designed to supply 120 MLD of treated water to meet the growing demand in Melaka Tengah and south west portion of Alor Gajah district. This was achieved through pumping water to New Bertam balancing reservoir as well as gravitate water sources to the new Sg. Udang, new Air Salak and existing Cheng reservoirs respectively.

The project was completed and delivered on 14 November 2014. The project increased the capability of supplying surplus volumes of treated water to meet the increasing demand in Lendu, Sg. Udang and Klebang.





Still under the staggered packages, PAAB continued work on Bertam DAF Phase 2 Water Treatment Plant from 14 November 2011. The project consisted of new Bertam balancing reservoir, new Sg. Udang reservoir, new Air Salak reservoir and interconnection & distribution pipelines. This project, completed in 14 September 2013, increased storage capacity for treated water and able cater the demands for developments in Lendu, Sg. Udang and Klebang.

Shortly afterwards, the Bukit Jelutong reservoir project, which was part of Bertam DAF Phase 2 Water Treatment Plant, Durian Tunggal, was delivered on 2 October 2013. Bukit Jelutong reservoir was boosted when its capacity of holding 23ML of water had additional of 10 ML treated water that could cater to the areas in Lendu and Rembia in Alor Gajah. It also saw distribution of water supply up to Bukit Beruang area efficiently improved.

There were other projects that contributed to Melaka's efficient water supply systems, to date. One of them was the trunk main replacement as well as the upgrading works and the new distribution system. The project which started from 16 July 2012 consisted of trunk main replacement & upgrading works from Kolam Bukit Asu to Gedong Lalang, from Kolam Cheng to Simpang Klebang and from Simpang Pulau Gadong to Tanjung Kling Pumphouse. The project, completed on 30 April 2014, was primarily to replace aging AC pipes that frequently burst and to increase connectivity in the network distribution system.

The other being, the construction of new 22.73 ML in Lendu and 4.54 ML high level reservoirs in Alor Gajah. They were completed and delivered in October last year after works began in 2 January 2015. The new 22.73 ML reservoir has the capacity of supplying consistent, stabilized supply of treated water to consumers in Masjid Tanah and its surrounding area on which frequently experienced water disruptions before the completion of the Lendu reservoir.

Another project to be implemented in 2018 is the new Bukit Bahaudin 4.5ML reservoir and water supply works at Mukim Chin Chin in the district of Jasin.

The Bukit Bahaudin reservoir caters to upcoming developments and the industrial sector in Jasin, Bemban and Lipat Kajang Industrial Parks respectively. These enclaves need treated water in high volumes and the demand is expected to increase in the future. With the construction of new Bukit Bahaudin reservoir, SAMB will be able to increase treated water storage and supply treated water to Jasin town and to the Lipat Kajang Industrial Park. The project is due for completion in 2018.

In addition to this, there is one on-going projects that will see the efficiency of water supply systems improved and boosted in near future. The project consist of Merlimau Phase 2 water treatment plant and the installation of distribution pipes from new Bukit Perah reservoir (4.54ML in capacity) in Jasin district and Melaka Tengah.

Due to rapid growth and development in Merlimau area, the existing Merlimau water treatment plant needs to be expanded further to cater to the increasing future water demand. With the completion of the expansion to the new water treatment plant and pipe works, the enhanced distribution network will be able to supply water to the reclaimed area in Melaka City and its surrounding areas. They are expected to be completed in July 2019.



CSR PROGRAMS IN 2017

JANUARY

FEBRUARY



21 February 2017

PAAB Prihatin Imarah Masjid
70 volunteers from PAAB, SAINS and Adabi participated with 200 villagers



22 February 2017

AAB Prihatin Shop & Share
Family of En Rohaizad Sa'yan

MARCH

21 March 2017

PAAB Prihatin Shop & Share
30 orphans from Pusat Jagaan Amal Asyura



APRIL



17 April 2017

PAAB Prihatin Permata Istimewa

80 volunteers from PAAB and SAJ Ranhill participated with 100 children in paediatric ward HSA

MAY

JUNE



10 June 2017

PAAB Prihatin Shop & Share Aidilfitri

15 volunteers from PAAB participated with 35 orphans from Pusat Jagaan Budaya Harapan Saujana

20 June 2017

PAAB Prihatin Ihya' Ramadan

60 volunteers from PAAB, Langat 2 contractors and Adabi participated with 150 members of kariah and residents in Taman Kosas



JULY



6 July 2017

PAAB Prihatin Rumah Terbuka Aidilfitri

- 30 orphans from Pusat Jagaan Budaya Harapan Saujana received duit raya from PAAB



AUGUST

23 August 2017

PAAB Prihatin Ibadah Qurban

- 30 volunteers from PAAB and Adabi participated with 70 members of kariah and villagers



SEPTEMBER



29-30 September 2017

Jelajah PAAB Prihatin

- 100 volunteers from PAAB, Selangor Adventure Club, Parliament of Gerik and government agencies participated with 1,000 aborigine in Air Banin, Tasik Banding



CSR PROGRAMS IN 2017

There is a pressing need for corporate citizens to engage in meaningful relations with the community it operates in. The intent and purpose must not only be constrained toward demonstrating a company's responsibility for the haves-nots or the underprivileged, it should also contribute to the quality of life of discerning Malaysians.

Corporate Social Responsibility or CSR is not only about philanthropy or the desire to promote the welfare of others by expressing notions in generous donations. It is more than that. CSR is as much as an important pillar to any company now than ever. CSR is a continuous affair that engages and embraces the community by

sharing its knowledge and respect, love and care to all especially to the society that the company operates in. A company can always share its expertise in capacity-building for the community or it can demonstrate its love and care to the poor and underprivileged and children through the initiatives of volunteerism.

In PAAB, we have painstakingly demonstrated our knowledge and respect, love and care to the community around us. We co-exist through our volunteers who have worked hard to show and share these areas of concern to the community.

Hundreds of PAAB volunteers have participated

21 February 2017 - PAAB Prihatin Imarah Masjid @ Rembau, Negeri Sembilan



22 February 2017 - PAAB Prihatin Shop & Share @ Hulu Klang, Selangor



21 March 2017 - PAAB Prihatin Shop & Share @ Sungai Buloh, Selangor



CSR PROGRAMS IN 2017

17 April 2017 - PAAB Prihatin Permata Istimewa @ Johor Bahru, Johor



10 June 2017 - PAAB Prihatin Shop & Share Aidilfitri @ Rawang, Selangor



CSR PROGRAMS IN 2017

20 June 2017 - PAAB Prihatin Ihya' Ramadan @ Ampang, Selangor

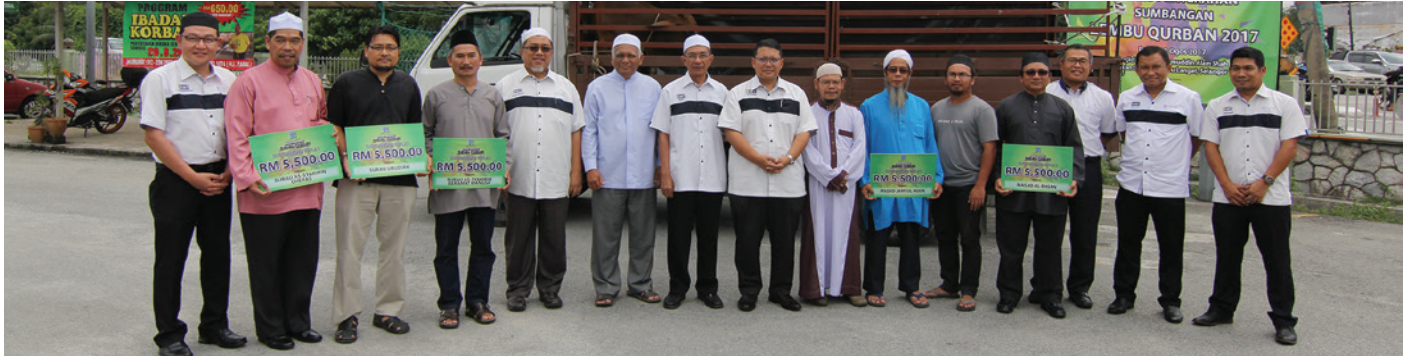


6 July 2017 - PAAB Prihatin Rumah Terbuka Aidilfitri @ TPC Kuala Lumpur



CSR PROGRAMS IN 2017

23 August 2017 - PAAB Prihatin Ibadah Qurban @ Hulu Langat, Selangor



29-30 November 2017- Jelajah PAAB Prihatin @ Gerik, Perak



Indeed, CSR is a journey that requires a company to pause and reflect of the needs and wants of the community. PAAB has always paused and reflected by counting the blessings that are bestowed on us. We acknowledge that the journey is still long and winded, and perhaps with some less travelled roads into closing the loop

or reducing the disparity that occurs in our community. Hence, we take pride of committing ourselves into helping the community in whatever ways or wherever they may be, as long as they are pleased with what we have demonstrated to them – the knowledge and respect, the love and care – and we will continue just that.





FINANCIAL STATEMENTS

DIRECTOR'S REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are developing and managing the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year, attributable to owners of the Company	283,312	214,529

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

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

DIVIDEND

The amount of dividend paid by the Company since 31 December 2016 was as follows:

In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year :

RM'000

27,559

Final ordinary single-tier dividend of approximately 4.75 sen net per share on 580,000,000 ordinary shares, paid on 23 June 2017

The Directors recommend the payment of a final single-tier dividend of 5.16 sen per ordinary share on 660,000,000 shares amounting to RM34,030,306 in respect of the financial year ended 31 December 2017, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

DIRECTORS

The directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are :

Dato' Seri Diraja Mohamad Tajol Rosli bin Mohd Ghazali
Datuk Amirudin bin Abd Rahman
Ir. Mohd Aminudin bin Md Amin
Dato' Dr. Halim bin Man
Anuar bin Mohamad
Datuk Saat bin Esa

Dato' Siti Zauyah binti Md Desa
Mahadzir bin Mustafa
Datuk Shamsul Bahari bin Abd Aziz
Dato' Seri Ir. Dr. Zaini bin Ujang
Tan Sri Dato' Chang Ko Youn (Appointed on 6 December 2017)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 20 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporations with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

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

ISSUE OF SHARES

During the financial year, the following issue of shares was made by the Company :

Class	No. Shares	Term of Issue	Purpose of Issue
Ordinary share	80,000,000	Cash	Working capital

The new ordinary shares rank pari passu in all respects with existing ordinary shares.

DIRECTOR'S REPORT (CONT'D)

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that no provision for doubtful debts is required in the financial statements of the Group and of the Company; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances :
- (i) that would render any amount to be written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company; or
 - (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist :
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors :
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance coverage for the Directors and Officers of the Company. The amount of insurance premium paid during the year amounted to RM25,500.

SIGNIFICANT EVENTS

Details of the significant events during and subsequent to the financial year end are disclosed in Note 27 to the financial statements.

AUDITORS

The auditors, Saifudin & Co., have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 6 March 2018.



Dato' Seri Diraja Mohamad Tajol Rosli bin
Mohd Ghazali



Mahadzir bin Mustafa

STATEMENT BY DIRECTORS

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

We, Dato' Seri Diraja Mohamad Tajol Rosli bin Mohd Ghazali and Mahadzir bin Mustafa, being two of the directors of PENGURUSAN ASET AIR BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 56 to 104 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 6 March 2018.



Dato' Seri Diraja Mohamad Tajol Rosli
bin Mohd Ghazali



Mahadzir bin Mustafa

STATUTORY DECLARATION

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

I, Rozaiffee bin Abu Zaharim, being the officer primarily responsible for the financial management of PENGURUSAN ASET AIR BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 56 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed)
Rozaiffee bin Abu Zaharim at Kuala Lumpur in the Federal)
Territory on 6 MAR 2018)



Rozaiffee bin Abu Zaharim

Before me,



Kiosk No.3 di Stesen Keretapi (KTM)
Bandar Tasik Selatan
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of PENGURUSAN ASET AIR BERHAD (732544-D) - (Incorporated in Malaysia)

REPORT ON THE AUDIT FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PENGURUSAN ASET AIR BERHAD, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, statements of profit or loss, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 104.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Emphasis of matters

Without qualifying our opinion, we draw attention to Note 2.1(d) to the financial statements. As stated on the statements of financial positions of the Group and the Company as at 31 December 2017, the Group and the Company have net current assets amounting to approximately RM6,287,061,000 and RM5,526,800,000 respectively, and as of this date, the Group and the Company recorded accumulated profit of approximately RM1,148,330,000 and RM423,805,000 respectively.

A wholly owned subsidiary, Acqua SPV Berhad, as stated in Note 9 to the financial statements, was incorporated by the Company to acquire conventional and islamic debt instruments from the existing water operators in a State, in a process undertaken by the holding company to acquire the State's water assets. The carrying amount of the amount due from the subsidiary as at 31 December 2017 is approximately RM5,403,031,000.

INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of PENGURUSAN ASET AIR BERHAD (732544-D) - (Incorporated in Malaysia)

The Group and the Company's ability to continue as going concern and the ability of the Company to recover the amount due from the subsidiary shall depend on the recoveries from the subsidiary's investments.

Information Other than the Financial Statements and Auditors Report Thereon

The manager of the Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as directors determine is necessary to enable the preparation of financial statements of the Group and Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of PENGURUSAN ASET AIR BERHAD (732544-D) - (Incorporated in Malaysia)

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

We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager.
- Conclude on the appropriateness of the managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

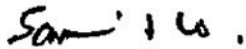
From the matters communicated with the manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

to the members of PENGURUSAN ASET AIR BERHAD (732544-D) - (Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Saifudin & Co.
No. AF 1451
Chartered Accountants



Ahmad Saifudin Bin Abdullah
No. 2340/07/18 (J)
Chartered Accountant

Kuala Lumpur.
Date : 6 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Plant and equipment	5	17,774	22,905	17,774	22,905
Investment properties	6	13,341,861	12,909,332	13,341,861	12,909,332
Investment in subsidiary	7	-	-	1,000	1,000
Trade and other receivables	8	111,221	1,107,260	111,221	1,107,260
		<u>13,470,856</u>	<u>14,039,497</u>	<u>13,471,856</u>	<u>14,040,497</u>
Current assets					
Trade and other receivables	8	7,932,250	6,890,064	1,747,627	717,311
Amount due from subsidiary	9	-	-	5,403,031	5,481,374
Cash and cash equivalents	10	1,120,767	922,501	1,120,050	880,653
		<u>9,053,017</u>	<u>7,812,565</u>	<u>8,270,708</u>	<u>7,079,338</u>
TOTAL ASSETS		<u>22,523,873</u>	<u>21,852,062</u>	<u>21,742,564</u>	<u>21,119,835</u>

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	11	660,000	580,000	660,000	580,000
Retained earnings		1,148,330	892,577	423,805	236,835
Total Equity		1,808,330	1,472,577	1,083,805	816,835
Non-current liabilities					
Loans and borrowings	12	16,153,632	15,824,726	4,091,722	3,987,390
Deferred income	13	1,795,955	1,921,234	1,795,955	1,921,234
Amount due to subsidiary	14	-	-	12,027,174	11,760,962
		17,949,587	17,745,960	17,914,851	17,669,586
Current liabilities					
Loans and borrowings	12	2,452,143	2,276,416	17,543	14,222
Amount due to subsidiary	14	-	-	2,434,599	2,262,194
Other payables	15	290,981	356,916	290,839	356,805
Provision for tax		22,832	193	927	193
		2,765,956	2,633,525	2,743,908	2,633,414
TOTAL LIABILITIES		20,715,543	20,379,485	20,658,759	20,303,000
TOTAL EQUITY AND LIABILITIES		22,523,873	21,852,062	21,742,564	21,119,835

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Revenue	16	650,734	586,523	650,734	586,523
Other income	17	97,309	119,621	97,269	119,562
Depreciation expense		(235,371)	(288,782)	(235,371)	(288,782)
Administrative expenses		(36,044)	(31,714)	(35,391)	(31,361)
Other expenses		(22,098)	(6,416)	(22,098)	(6,416)
Operating profit		454,530	379,232	455,143	379,526
Finance income	18	552,329	529,934	461,027	422,976
Finance cost	19	(697,370)	(662,189)	(697,370)	(662,189)
Net finance costs		(145,041)	(132,255)	(236,343)	(239,213)
Profit before taxation	20	309,489	246,977	218,800	140,313
Income tax expense	23	(26,177)	(5,000)	(4,271)	(5,000)
Profit after taxation		283,312	241,977	214,529	135,313
Dividend		(27,559)	(14,670)	-	-
Profit for the year		255,753	227,307	214,529	135,313

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Note	Non-distributable	Distributable	Total equity RM'000
		Share capital RM'000	Retained earnings RM'000	
As at 1 January 2016		510,000	665,270	1,175,270
Issuance of shares		70,000	-	70,000
Profit for the year		-	241,977	241,977
Dividends	24	-	(14,670)	(14,670)
Balance at 31 December 2016		580,000	892,577	1,472,577
As at 1 January 2017		580,000	892,577	1,472,577
Issuance of shares		80,000	-	80,000
Profit for the year		-	283,312	283,312
Dividends	24	-	(27,559)	(27,559)
Balance at 31 December 2017		660,000	1,148,330	1,808,330
Company				
As at 1 January 2016		510,000	116,192	626,192
Issuance of shares		70,000	-	70,000
Profit for the year		-	135,313	135,313
Dividends	24	-	(14,670)	(14,670)
Balance at 31 December 2016		580,000	236,835	816,835
As at 1 January 2017		580,000	236,835	816,835
Issuance of shares		80,000	-	80,000
Profit for the year		-	214,529	214,529
Dividends	24	-	(27,559)	(27,559)
Balance at 31 December 2017		660,000	423,805	1,083,805

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
Profit before taxation	309,489	246,977	218,800	140,313
Adjustments for:				
Amortisation of government grants	(125,279)	119,582	(125,279)	119,582
Depreciation of plant and equipment	235,371	288,782	235,371	288,782
Interest payable on debt instrument	(3,024)	18,152	-	-
Finance costs	270,109	230,071	590,243	560,760
Finance income	(831,113)	(786,860)	(461,027)	(420,914)
Gain on disposals of plant and equipment	(132)	(749)	(132)	(749)
Impairment loss/(Reversal of)	15,841	(43,698)	15,841	(43,698)
Operating profit before working capital changes	(128,738)	72,257	473,817	644,076
Change in trade and other receivables	(49,063)	(347,216)	(50,118)	(347,172)
Change in other payable and provisions	(65,227)	250,560	(65,232)	250,560
Cash (used in)/generated from operating activities	(243,028)	(24,399)	358,467	547,464
Interest received	645,454	396,453	288,141	35,119
Tax paid	(3,537)	(4,957)	(3,537)	(4,957)
Net cash generated from operating activities	398,889	367,097	643,071	577,626

STATEMENTS OF CASH FLOWS (CONT'D)

For the year ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Purchase of investment properties	(633,884)	(1,526,421)	(633,884)	(1,526,421)
Purchase of plant and equipment	(1,688)	(1,977)	(1,688)	(1,977)
Proceeds from disposal of plant and equipment	132	749	132	749
Advances to subsidiary	-	-	(63)	(287)
Repayment from subsidiary	-	-	357,314	361,333
Net cash used in investing activities	(635,440)	(1,527,649)	(278,189)	(1,166,603)
Cash flows from financing activities				
Proceeds from issuance of share capital	80,000	70,000	80,000	70,000
Proceeds from loan	-	863,335	-	863,335
Proceeds from debt instrument	2,100,000	3,400,000	-	-
Advances to a subsidiary	-	-	(2,302,622)	(2,473,727)
Advances from a subsidiary	-	-	2,142,322	2,402,094
Loan repayment	(17,624)	(76,165)	(17,626)	(76,165)
Redemption of debt instruments	(1,700,000)	(2,900,000)	-	-
Dividend paid	(27,559)	(14,670)	(27,559)	(14,670)
Net cash generated from/(used in) financing activities	434,817	1,342,500	(125,485)	770,867
Net increase in cash and cash equivalent	198,266	181,948	239,397	181,890
Cash and cash equivalents at the beginning of the year	922,501	740,553	880,653	698,763
Cash and cash equivalents at the end of the year	1,120,767	922,501	1,120,050	880,653

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The addresses of the principal place of business and the registered office of the Company are as follows :

Principal place of business : Tingkat 24, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur.

Registered office : Tingkat 7, Bangunan Setia 1
No.15, Lorong Dungun Bukit Damansara
50490 Kuala Lumpur.

The principal activities of the Company are developing and managing the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan

The principal activities of the subsidiaries are as disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The immediate and ultimate holding corporation is Minister of Finance (Incorporated), incorporated in Malaysia under the Minister of Finance (Incorporation) Act 1957.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

- (a) The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 2016 in Malaysia.
- (b) The financial statements of the Group and of the Company have been prepared under the historical cost basis, unless otherwise disclosed in the respective accounting policies note.
- (c) These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(d) Going Concern Assumption

As stated on the statement of financial position of the Group and the Company as at 31 December 2017, the Company has net current assets amounting to approximately to RM6,287,061,000 and RM5,526,800,000 respectively, as of this date, the Group and the Company recorded accumulated profit of approximately of RM1,148,330,000 and RM423,805,000 respectively.

A wholly owned subsidiary, Acqua SPV Berhad, as stated in Note 7 to the financial statements, was incorporated by the holding company to acquire conventional and islamic debt instruments from the existing water operators in a State, in a process undertaken by the holding company to acquire the State's water assets. The carrying amount of the amount due from the subsidiary as at 31 December 2017 is approximately RM5,403,031,000.

The financial statements have been prepared on the basis of going concern based on the assumption that the Company will be continuing its operation for a foreseeable future.

The Company's ability to continue as going concern shall depend on the continuous financial support from the holding company and the Minister of Finance (Incorporated) should the amount or future payments from the debt instruments' issuers are not recoverable in full or partly recoverable.

2.2 Use of Estimates & Judgements

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgements in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as stated below :

- (a) Note 6 - Investment properties
- (b) Note 8 - Trade and other receivables
- (c) Note 9 - Amount due from subsidiary
- (d) Note 14 - Amount due to subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

2.3 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as disclosed below.

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual period beginning on and after 1 January 2017:

Effective for annual period beginning on or after 1 January 2017

Amendments to MFRS 12	Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative

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

Effective for annual period beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1 and MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Effective for annual period beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3, MFRS 11, MFRS 112, MFRS 123	Annual Improvements to MFRS Standards 2015-2017
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

Effective for annual period beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Deferred

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

The adoption of the standards and amendments to standards above will have no material impact on the financial statements in the period of initial application, except as disclose below:

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 or 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 and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is in the process of assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

2.4 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.5 Basis of Consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Acquisition 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 Plant and Equipment and Depreciation

All items of plant and equipment are initially recorded at cost.

The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures 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.

Depreciation on assets under construction will commence when the assets are ready for their intended use.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

	Rate
Office equipment	20%
Furniture and fittings	20%
Office equipment	20%
Computer equipment	33%
Motor vehicles	20%
Renovation	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

2.7 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated on a straight-line basis over the lease period of the assets varying from 30 to 45 years.

Investment properties are initially measured at cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment set out in Note 3.3 up to the date of change in use.

2.8 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")).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

Impairment losses are recognised in profit or loss.

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. Impairment loss on goodwill is not reversed in a subsequent period.

2.9 Financial Assets

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

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

The Group and the Company determine the classification of financial assets at initial recognition, and category as loans and receivables.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables include trade receivables, other receivables and cash and bank balances.

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 when 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

2.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.11 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

Other financial liabilities

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

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

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.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed banks or financial institutions that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

2.13 Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.14 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2.15 Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

2.16 Interest-bearing borrowings

Interest-bearing borrowing is recorded at the amount of proceeds received, net of transaction costs. All other borrowing costs are charged to the income statement as an expense in the year in which they are incurred.

2.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

2.18 Leases

(a) As lessee

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 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 on the same bases as rental income. The accounting policy for rental income is set out in Note 2.17.

2.19 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the year in which the associated services are rendered by employees of the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.20 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be recognised.

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

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Director of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and sundry receivables while the Company's exposure to credit arises primarily from trade and sundry receivables and amount due from subsidiaries. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and reputable financial institutions.

The Group's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

The Group does not have any significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial instrument other than those described in Note 10.

(i) Classification of HTM Investments as Loans and Receivables and Critical Judgement.

Investments are made only with counterparties that have reasonable credit ratings. As at the end of the reporting period, the Group has only invested in domestic bonds and Islamic debt instruments.

The investments are unsecured. The management does not expect any counterparties to fail to meet their repayment obligations in the following investments :

	RM
Investments in :	
Conventional corporate bonds	819,641,340
Islamic corporate bonds	3,024,074,344
Islamic medium-term notes	2,266,229,736
	<hr/>
	6,109,945,420

The amounts are expected to be recoverable in full as disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(ii) Trade and other receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

As at the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the Statements of Financial Position.

(iii) Amount due from a subsidiary

The Company provides unsecured advances to a subsidiary. The Company monitors the performance of the subsidiary regularly. Advances are only provided to a subsidiary which is wholly owned by the Company.

As at the end of the reporting period, there was no indication that the advances to a subsidiary is not recoverable.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Statements of Financial Position.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group actively manages operating cash flows so as to ensure that all funding needs are met. As part of overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's policy is to manage interest cost using a mix of fixed rate debts.

The Group places its surplus fund in short-term deposits that carry fixed-rated interests and as such, the Group's exposure to interest rate risk is minimised.

(d) Foreign currency risk

The Company operates predominantly in Malaysia and transacts mainly in Malaysian Ringgit. As such, it is not exposed to any significant foreign currency risk.

(e) Market Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company is not exposed to market risk as the Group only deposit its surplus funds in short-term fixed-rated deposits and the group issues only fixed-rated debt instruments.

4. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. To achieve this, the Company takes into consideration the sufficiency of funds for operations, risk management and development.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the capital management objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

5. PLANT AND EQUIPMENT

Group and Company

	Office Renovation RM'000	Furniture and Fittings RM'000	Office and Computer Equipment RM'000	Motor Vehicles RM'000	Projects-in- Progress RM'000	Total RM'000
2017						
Cost						
At 1 January 2017	2,657	372	36,031	472	1,828	41,360
Additions	233	8	617	484	673	2,015
Disposals	-	-	(105)	(222)	-	(327)
At 31 December 2017	2,890	380	36,543	734	2,501	43,048
Accumulated depreciation						
At 1 January 2017	2,317	233	15,653	252	-	18,455
Depreciation for the year	190	64	6,685	126	-	7,065
Disposals	-	-	(105)	(141)	-	(246)
At 31 December 2017	2,507	297	22,233	237	-	25,274
Carrying amount						
At 1 January 2017	340	139	20,378	220	1,828	22,905
At 31 December 2017	383	83	14,310	497	2,501	17,774

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

	Office Renovation RM'000	Furniture and Fittings RM'000	Office and Computer Equipment RM'000	Motor Vehicles RM'000	Projects-in- Progress RM'000	Total RM'000
2016						
Cost						
At 1 January 2016	2,554	363	34,943	477	1,051	39,388
Additions	103	9	1,088	-	777	1,977
Disposals	-	-	-	(5)	-	(5)
At 31 December 2016	2,657	372	36,031	472	1,828	41,360
Accumulated depreciation						
At 1 January 2016	2,148	166	9,118	161	-	11,593
Depreciation for the year	169	67	6,535	96	-	6,867
Disposals	-	-	-	(5)	-	(5)
At 31 December 2016	2,317	233	15,653	252	-	18,455
Carrying amounts						
At 1 January 2016	406	197	25,825	316	1,051	27,795
At 31 December 2016	340	139	20,378	220	1,828	22,905

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

6. INVESTMENT PROPERTIES

	Group/ Company		
	Completed investment properties RM'000	IPUC at cost RM'000	Total RM'000
2017			
Cost			
At 1 January 2017	13,310,265	1,538,903	14,849,168
Additions	13,358	620,527	633,885
Reclassification	250,953	(250,953)	-
Capitalisation of borrowing cost	-	26,951	26,951
At 31 December 2017	<u>13,574,576</u>	<u>1,935,428</u>	<u>15,510,004</u>
Accumulated depreciation			
At 1 January 2017	1,939,836	-	1,939,836
Depreciation for the year	228,307	-	228,307
At 31 December 2017	<u>2,168,143</u>	<u>-</u>	<u>2,168,143</u>
Net carrying amount	<u>11,406,433</u>	<u>1,935,428</u>	<u>13,341,861</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

	Group/ Company		
	Completed investment properties	IPUC at cost	Total
	RM'000	RM'000	RM'000
2016			
Cost			
At 1 January 2016	12,014,826	1,274,322	13,289,148
Additions	1,163,685	362,736	1,526,421
Reclassification	131,754	(131,754)	-
Capitalisation of borrowing cost	-	33,599	33,599
At 31 December 2016	13,310,265	1,538,903	14,849,168
Accumulated depreciation			
At 1 January 2016	1,657,921	-	1,657,921
Depreciation for the year	281,915	-	281,915
At 31 December 2016	1,939,836	-	1,939,836
Net carrying amount	11,370,429	1,538,903	12,909,332

Capitalisation of borrowing costs

Included in Investment Property Under Construction ("IPUC") at cost, are borrowing costs capitalised during the financial year ended 31 December 2017 of RM26,951,454 (2016 : RM33,598,987) as disclosed in Note 19.

Investment properties- Cost model

The principal activity of the Company is to act as the nation's water assets management company ("WAMCO") by acquiring all the water assets and the related loans and borrowings from the existing water operators in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with the Water Services Industry Act 2006 (Act 655).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

The Company adopts cost model accounting on the acquired water assets and those assets are recorded at cost less accumulated depreciation and any allowance for impairment losses. Depreciation is provided on a straight- line basis over the lease period of the assets varying from 30 to 45 years.

The Company finance the purchase of the water assets mostly via issuance of Islamic debt instruments. Loans are classified as other financial liabilities, which are measured initially at fair value and subsequently at amortised cost at the end of each reporting period. There is a possibility of accounting mismatch due to the different models being used in recording the investment properties at historical cost while the all loans and borrowings are measured at amortised cost.

Should fair value model is adopted on the investment properties, the fair value of the investment properties is estimated to be RM 10,905,710,523 (2016 : RM10,549,758,201). The comparison of the fair value estimation, using the discounted cash flow method, is tabulated below :

	2017	2016
	RM'000	RM'000
Investment properties at :		
Cost less accumulated depreciation and allowance for impairment losses	13,341,861	12,909,332
Fair value	10,905,711	10,549,758

The fair value of all investment properties was determined by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property using the discount rates of 3.21% (2016 : 3.22%) that reflect the uncertainty in the amount and timing of the cash flows.

The following is recognised in profit or loss in respect of investment properties :

	Company	
	2017	2016
	RM'000	RM'000
Rental Income	650,734	586,523

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares	1,000	1,000

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows :

Name of subsidiaries	Principal Activity	Ordinary paid-up capital as at 31.12.2017 RM'000	Effective ownership interest	
			2017 %	2016 %
Pengurusan Air SPV Berhad	Special purpose entity for the purpose of issuance of islamic debt instruments for its holding company to developing and managing nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan	500	100	100
Acqua SPV Berhad	Special purpose entity to acquire a portfolio of investments in relation to holding company's acquisition of water assets in Selangor	500	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

8. TRADE AND OTHER RECEIVABLES

		Group/Company	
		2017	2016
		RM'000	RM'000
Non-current			
Trade receivables	(a)	286,866	1,266,664
Other receivables		3,402	3,803
		290,268	1,270,467
Allowance for impairment		(179,047)	(163,207)
		111,221	1,107,260

		Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Current					
Trade receivables	(a)	1,480,312	423,061	1,480,312	423,061
Other receivables:					
Other receivables		341,833	356,864	267,155	294,056
Advances to employees	(b)	160		160	194
Investment reclassified as loan and receivables	(f)	6,109,945	6,109,945	-	-
		7,932,250	6,889,870	1,747,627	717,311
		8,043,471	7,997,130	1,858,848	1,824,571

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Advances to employees

Advances to employees are unsecured and non-interest bearing.

(c) Receivables that are past due but not impaired

As of 31 December 2017, none of the trade receivables are past due but not impaired.

(d) Receivables that are impaired

The movement of the allowance for impairment account to record the impairment on the trade receivables that are impaired at the end of reporting year are as follows :

	Group/ Company	
	2017	2016
	RM'000	RM'000
At 1 January	163,207	206,905
Reversal/ Impairment during the year	15,840	(43,698)
At 31 December	179,047	163,207

The Company considered the expected timing of cash flow to be received by the Company to recover the receivables in determining the allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(e) Analysis of trade and other receivables aging as at 31 December are as follows :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within 1 year	1,822,305	780,119	1,747,627	717,311
1-2 years	29,469	419,565	29,469	419,565
2-5 years	3,887	669,451	3,887	669,451
5 years or more	77,865	18,244	77,865	18,244
	1,933,526	1,887,379	1,858,848	1,824,571

(f) Investment reclassified as loans and receivables

	Group	
	2017 RM'000	2016 RM'000
Conventional corporate bonds	819,641	819,641
Islamic corporate bonds	3,024,074	3,024,074
Islamic medium-term notes	2,266,230	2,266,230
	6,109,945	6,109,945

Classification of HTM Investments as Loans and Receivables and Critical Judgement

The Company, via a wholly owned subsidiary, Acqua SPV Berhad, has acquired conventional bonds and islamic debt instruments' liabilities from the existing water operators in Selangor as part of the holding company's planned acquisition of the water assets in the State.

The Company is a wholly owned subsidiary of Minister of Finance (Incorporated).

Should the acquisition do not materialise as expected, the subsidiary company may have to continue holding the investments as HTM investments and shall rely on expected contractual cash flows from coupons and principal payments and consequently, the Company shall have to rely on the contractual cashflows from its subsidiary.

The Company's ability to continue as going concern shall depend on the continuous financial support from the holding company and the Minister of Finance (Incorporated) should the amount or future payments from debt issuers are not recoverable in full or partly recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

9. AMOUNT DUE FROM SUBSIDIARY

(a) Related party transactions

Transactions between the Company and its subsidiary took place at terms agreed between the parties during the financial year are as follows :

	Company	
	2017 RM'000	2016 RM'000
Amount due from a subsidiary :		
At 1 January	5,481,374	5,581,373
Advances made to the subsidiary	63	287
Finance costs charged to subsidiary	278,908	261,047
Repayments made by the subsidiary	(357,314)	(361,333)
At 31 December	5,403,031	5,481,374

(b) Nature of relationship

The Group is controlled by the ultimate parent corporation, Minister of Finance (Incorporated). The subsidiary, Acqua SPV Berhad, is controlled by Pengurusan Aset Air Berhad which has the power to govern the financial and operating policies of the subsidiary. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements.

The amount represents advances made to the subsidiary in respect of acquisitions of Selangor water related bonds and islamic debt instruments in various corporations in line with the Group's objective in consolidating the nation's water assets.

The amount due from the subsidiary is unsecured and repayable on demand as and when the holding company requires funding to meet its financial obligations.

The amount due from the subsidiary bears finance charge equivalent to the finance costs incurred by the holding company on its borrowings as disclosed in Note 12.

(c) Estimation uncertainty and critical judgements

The amount due from subsidiary is dependent upon the financial requirement of the Company to repay a related company on the issuance of Islamic financial instruments raised by the related company and the finalisation of the acquisition of the water assets in Selangor.

The management classifies the amount due from subsidiary as an asset to be receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term deposits with:				
Licensed banks	237,878	247,881	237,878	247,881
Other corporations	844,854	663,922	844,854	622,751
Cash and bank balance	38,035	10,698	37,318	10,021
	1,120,767	922,501	1,120,050	880,653

Short-term deposits with licensed banks and other corporations are made for varying periods depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

11. SHARE CAPITAL

	Company			
	Number of Ordinary Shares (of RM1 Each)		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM1 each				
At 1 January	580,000	510,000	580,000	510,000
Issued during the year	80,000	70,000	80,000	70,000
At 31 December	660,000	580,000	660,000	580,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

12. LOANS AND BORROWING

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Loans from the Government of Malaysia ("GoM") [Note (a)]	4,091,722	3,987,390	4,091,722	3,987,390
Islamic Medium Term Notes ("IMTN") [Note (b)]	12,061,910	11,837,336	-	-
	16,153,632	5,824,726	4,091,722	3,987,390
Current				
Unsecured:				
Loans from the Government of Malaysia ("GoM") [Note (a)]	17,543	14,222	17,543	14,222
Islamic Medium Term Notes ("IMTN") [Note (b)]	2,434,600	2,262,194	-	-
	2,452,143	2,276,416	17,543	14,222
	18,605,775	18,101,142	4,109,265	4,001,612

(a) Loans from the Government of Malaysia ("GoM")

Loans from GoM are unsecured, non-interest bearing and are expected to be repayable over the periods of 25 years commencing from the date of each loan agreement. These loans represent federal loans taken over from the States of Melaka, Negeri Sembilan, Johor, Pulau Pinang, Perak and Kelantan as part of the Company's acquisition of the nation's water assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(b) Islamic Medium Term Notes ("IMTN")

The nominal value and the carrying amounts of the outstanding IMTNs issued as at 31 December 2017 categorised into the respective maturity date are as follows :

	Maturity date	Tenure	Profit rate (per annum) %	Nominal value RM'000	Carrying amount RM'000
IMTN 18 - GG	16-Jun-18	3 years	3.85%	400,000	399,860
IMTN 10 - GG	17-Jun-18	7 years	4.04%	1,500,000	1,499,812
IMTN 13 - GG	7-Feb-19	5 years	4.16%	1,000,000	1,013,181
IMTN 16 - GG	7-Jun-19	5 years	4.06%	400,000	400,318
IMTN 11 - GG	17-Jun-19	8 years	4.15%	500,000	500,331
IMTN 3 - AAA	5-Nov-19	10 years	5.05%	650,000	653,777
IMTN 19 - GG	15-Jun-20	5 years	4.03%	200,000	199,966
IMTN 12 - GG	1-Jul-20	7 years	3.72%	350,000	357,222
IMTN 20 - GG	28-Sep-20	5 years	4.28%	700,000	707,442
IMTN 17 - GG	5-Nov-20	6 years	4.10%	500,000	502,609
IMTN 14 - GG	7-Feb-21	7 years	4.42%	200,000	203,385
IMTN 3 - GG	8-Feb-21	10 years	4.43%	500,000	508,587
IMTN 5 - GG	29-Apr-21	10 years	4.38%	500,000	504,376
IMTN 4 - AAA	11-Nov-21	10 years	4.16%	430,000	432,408
IMTN 5 - AAA	5-Aug-22	10 years	3.90%	200,000	203,221
IMTN 21 - GG	26-Sep-25	10 years	4.63%	860,000	869,821
IMTN 22 - GG	3-Feb-23	7 years	4.43%	1,000,000	1,014,469
IMTN 23 - GG	5-Feb-26	10 years	4.63%	750,000	761,436
IMTN 24 - GG	17-Jun-21	5 years	4.04%	400,000	399,945
IMTN 25 - GG	16-Jun-23	7 years	4.23%	800,000	799,859
IMTN 26 - GG	17-Jun-26	10 years	4.40%	250,000	264,577
IMTN 27 - GG	6-Dec-19	3 years	4.38%	200,000	200,000
IMTN 28 - GG	5-Jun-20	3 years	3.96%	700,000	699,962
IMTN 29 - GG	6-Jun-22	5 years	4.06%	900,000	899,961
IMTN 30 - GG	6-Jun-24	7 years	4.27%	500,000	499,979
				<u>14,390,000</u>	<u>14,496,505</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

During the financial year, IMTN 9 and IMTN 15 had matured and the Company has issued new IMTN as follows :

	Maturity date	Tenure	Profit rate (per annum)	Nominal value RM'000
IMTN 28 - GG	5-Jun-20	3 years	3.96%	700,000
IMTN 29 - GG	6-Jun-22	5 years	4.06%	900,000
IMTN 30 - GG	6-Jun-24	7 years	4.27%	500,000
				<u>2,100,000</u>

(c) The remaining maturity of the loans and borrowings as at 31 December as follows :

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within 2 year	7,169,568	3,628,575	35,087	28,444
2-5 years	6,609,175	6,911,664	273,161	326,062
5 years or more	4,827,032	7,560,903	3,801,017	3,647,106
	<u>18,605,775</u>	<u>18,101,142</u>	<u>4,109,265</u>	<u>4,001,612</u>

(d) The issuance of the Islamic debt instruments were made solely to finance the operation of the holding company for the purpose of acquire national water assets and to finance the holding company's development and construction of new water assets and the related working capital requirement.

The holding company has provided, and shall continue providing financial support to the Company as and when the borrowings become due.

(e) Weighted average effective interest rates :

	Group/ Company	
	2017 %	2016 %
Islamic medium-term notes	4.21	4.21

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

13. DEFERRED INCOME

	Group/ Company	
	2017	2016
	RM'000	RM'000
Government grant		
At 1 January	2,008,898	2,236,241
Reversal during the year	(231,489)	(227,343)
At 31 December	1,777,409	2,008,898
	Group/ Company	
	2017	2016
	RM'000	RM'000
Accumulated amortisation		
At 1 January	87,664	195,426
Accretion during the year	(106,210)	(107,762)
At 31 December	(18,546)	87,664
Net carrying amount	1,795,955	1,921,234

Deferred income relates to the estimated value of Government's assistance in providing interest-free loans and loans with interests at below market rate to the Company. Government grant is amortised over the period of the respective loans.

There are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

14. AMOUNT DUE TO SUBSIDIARY

(a) Related party transactions

Transactions between the Company and its subsidiary took place at terms agreed between the parties during the financial year are as follows :

	Company	
	2017 RM'000	2016 RM'000
Amount due to a subsidiary :		
At 1 January	14,023,156	13,505,114
Advances from the subsidiary	2,142,322	2,402,095
Repayments to the subsidiary	(2,302,622)	(2,473,728)
Finance costs charged by the subsidiary	599,042	591,736
Finance income received by the subsidiary	(125)	(2,061)
At 31 December	14,461,773	14,023,156

(b) Nature of relationship

The subsidiary, Pengurusan Air SPV Berhad, is controlled by Pengurusan Aset Air Berhad which has the power to govern the financial and operating policies of the subsidiaries. The principal activity of the subsidiary is disclosed in Note 7 to the financial statements.

The amount represents advances made by the subsidiary to the holding company in respect of proceeds from issuance of islamic debt securities, transfer of finance income from surplus funds and finance charges on the debt instruments.

The amount due to subsidiary is unsecured and repayable on demand by the holding company as and when the subsidiary's islamic debt instruments' principals and profit amounts are due for payments.

The amount due to subsidiary bears finance charge equivalent to the finance costs incurred by the subsidiary on its borrowings as disclosed in Note 12.

(c) Estimation uncertainty and critical judgement

The Company shall repay to its subsidiary based on the expected cash flows of the subsidiary to meets its obligation to the islamic debts instruments holders.

The amount due to the subsidiary is repayable when the principal and profit amounts of islamic debt instruments' are due for payments. The management classifies the amount owing to the subsidiary as a liability to be repayable on demand and as when needed.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

15. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Contract creditors:				
Retention monies	11,905	18,115	11,905	18,115
Progress claims	37,870	70,033	37,870	70,033
	49,775	88,148	49,775	88,148
Other payables	234,747	262,679	234,605	262,568
Provisions	6,459	6,089	6,459	6,089
	290,981	356,916	290,839	356,805

The provision for license fee is related mainly to licensing requirement by the Water Services Industry Act 2006 ("WSIA") regarding the operation of states water operator for the purpose of providing treated water to the public. The provision is made based on 1% of lease rental from the states water operator.

16. REVENUE

	Group/Company	
	2017 RM'000	2016 RM'000
Rental income from investment properties	650,734	586,523

17. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gain on disposal of plant and equipment	132	749	132	749
Reversal of impairment loss	-	43,698	-	43,698
Tender fees	440	161	440	161
Fixed deposit interest income	40	59	-	-
Other income	96,697	74,954	96,697	74,954
	97,309	119,621	97,269	119,562

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

18. FINANCE INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income from :				
Short-term deposits with licensed banks and other corporations	56,840	42,347	56,840	42,347
Investments in subsidiary	-	-	278,908	261,047
Amortisation of deferred capital grant	125,279	119,582	125,279	119,582
Investments	370,210	368,005	-	-
	552,329	529,934	461,027	422,976

19. FINANCE COST

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Government loans	125,279	119,582	125,279	119,582
Islamic debt instruments	599,042	576,206	599,042	576,206
	724,321	695,788	724,321	695,788
Finance costs capitalised on investment properties (Note 6)	(26,951)	(33,599)	(26,951)	(33,599)
	697,370	662,189	697,370	662,189

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

20. PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration	260	260	180	180
Rental of office premise	2,254	2,204	2,254	2,204
Directors' remuneration :				
Executive director	790	838	790	838
Non-executive directors	657	601	657	601
Employee benefits expense	21,492	20,602	21,492	20,602

21. DIRECTORS' REMUNERATION

	Group/ Company	
	2017 RM'000	2016 RM'000
Executive director :		
Basic salaries, bonus and allowances	665	737
Defined contribution plan	89	65
	754	802
Estimated value of benefit-in-kind	36	36
	790	838
Non-executive directors :		
Fees	408	364
Other emoluments	249	237
Total short term employee benefits	657	601

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

22. EMPLOYEE BENEFITS EXPENSE

	Group/ Company	
	2017	2016
	RM'000	RM'000
Wages and salaries	12,983	11,232
Bonus	2,051	3,550
Contributions to defined contribution plans	2,923	2,527
Other employee benefits	3,535	3,293
	21,492	20,602

23. INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Tax expense for the year	26,177	5,000	4,271	5,000

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax of the Group and of the Company is as follows :

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax	309,490	246,977	218,800	140,313
Income tax calculated using Malaysian tax rate of 24%	74,278	59,274	52,512	33,675
Effect of expenses not deductible for tax purpose	35,944	49,584	57,833	75,211
Income not subject to tax	(32)	(10,653)	(32)	(10,667)
Unutilised current year's tax loss	123	14	-	-
Utilisation of capital allowances	(84,136)	(93,219)	(106,042)	(93,219)
Total Income tax expense	26,177	5,000	4,271	5,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

24. DIVIDEND

	Sen per share	Total amount RM'000	Date of payment
Dividend recognised and paid by the Company :			
2017			
Final dividend on ordinary shares for the year 2016	4.75	27,559	23 Jun 17
2016			
Final dividend on ordinary shares for the year 2015	2.88	14,670	24 May 16

The Directors recommend the payment of a final single-tier dividend of 5.16 sen per ordinary share on 660,000,000 shares amounting to RM34,030,306 in respect of the financial year ended 31 December 2017, subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company.

25. CAPITAL COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group/ Company	
	2017	2016
	RM'000	RM'000
Approved and contracted for :		
Capital commitments in respect of investment properties	677,642	100,950
Approved but not contracted for :		
Capital commitments in respect of investment properties	148,696	425,142

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

26. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

The following table analyses the financial assets and liabilities of the Group and the Company in the Statements of Financial Position by the classes of financial instrument to which they are assigned and the measurement basis.

	Loans and receivable at amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
At 31 December 2017			
Financial assets			
Group			
Trade and other receivables	8,043,471	-	8,043,471
Cash and cash equivalents	1,120,767	-	1,120,767
	<u>9,164,238</u>	<u>-</u>	<u>9,164,238</u>
Company			
Trade and other receivables	1,858,848	-	1,858,848
Amount due from subsidiary	5,403,031	-	5,403,031
Cash and cash equivalents	1,120,050	-	1,120,050
	<u>8,381,929</u>	<u>-</u>	<u>8,381,929</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

Financial liabilities

Group

Loans and borrowings	-	18,605,775	18,605,775
Other payables	-	290,981	290,981
	-	18,896,756	18,896,756

Company

Amount due to subsidiary	-	14,461,773	14,461,773
Loans and borrowings	-	4,109,265	4,109,265
Other payables	-	290,839	290,839
	-	18,861,877	18,861,877

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

At 31 December 2016

Financial assets

Group

Trade and other receivables	7,997,324	-	7,997,324
Cash and cash equivalents	922,501	-	922,501
	<u>8,919,825</u>	<u>-</u>	<u>8,919,825</u>

Company

Trade and other receivables	1,824,571	-	1,824,571
Amount due from subsidiary	5,481,374	-	5,481,374
Cash and cash equivalents	880,653	-	880,653
	<u>8,186,598</u>	<u>-</u>	<u>8,186,598</u>

Loans and receivable at amortised cost RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
--	---	-------------------------

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

Financial liabilities

Group

Loans and borrowings	-	18,101,142	18,101,142
Other payables	-	356,916	356,916
	-	18,458,058	18,458,058

Company

Amount due to subsidiary	-	14,023,156	14,023,156
Loans and borrowings	-	4,001,612	4,001,612
Other payables	-	356,805	356,805
	-	18,381,573	18,381,573

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

(b) Fair Value

The carrying amounts of the current assets and current liabilities are reasonable approximation of fair values due to their short-term nature.

The following are the comparisons by each class of financial instrument of the carrying amounts and fair values of the Group and the Company's financial instruments that are carried in the Statements of Financial Position :

	Note	2017		2016	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets :					
Group					
Trade and other receivables (non-current)	8	111,221	106,820	1,107,260	1,104,267
Company					
Trade and other receivables (non-current)	8	111,221	106,820	1,107,260	1,104,267
Financial liabilities:					
Group					
Loans and borrowings (non-current)	12	16,153,632	15,169,004	15,824,726	14,856,112
Company					
Loans and borrowings (non-current)	12	4,091,722	3,049,391	3,987,390	2,949,354

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

The following summarises the method used in determining the fair value of the financial instruments reflected in the above table :

(i) Investments

Due to non-availability of market data input, fair value of investments are measured using a discounted cash flow method based on individual instruments' interest/profit rates ranging from 3.00% to 11.00% (2016 : 3.00% to 11.00%).

(ii) Trade and other receivables

Fair value of trade and other receivables are measured using a discounted cash flow method based on the weighted average cost of capital rate of 4.21% (2016 : 4.21%).

(iii) Loans and borrowings

Due to non-availability of market data input, fair value of loans and borrowings are measured using a discounted cash flow method based on profit rates ranging from 3.72% to 5.05% (2016 : 3.72% to 5.05%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2017

27. SIGNIFICANT EVENTS

During the financial year:

- (a) A subsidiary has rescheduled the settlement of HTM investments from 5 October 2017 to 4 July 2018.

The Directors are of the opinion that the amount shall be recoverable in full in the financial year ended 31 December 2018.

In the financial statements of the Company, the amount has been classified as receivable within the next 12 months.

- (b) A subsidiary has issued new islamic debt instruments amounting to RM2,100,000,000 as disclosed in Note 12 to the financial statements.

28. COMPARATIVE FIGURES

The following comparative figure have been classified to conform to current year's presentation:

	Group 2016		Company 2016	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Statement of Financial Position				
Investment	-	6,109,945	-	-
Trade and other receivables	6,109,945	-	-	-



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