TALIWORKS CORPORATION BERHAD (Company No 6052-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2019
(UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 27 August 2019

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Jun 2019 RM'000	31 Dec 2018 RM'000 Audited
ASSETS			
Property, plant and equipment		10,552	12,030
Investment properties		230	233
Intangible assets		1,086,551	1,100,762
Investment in joint venture		68,348	71,434
Investment in associates		175,840	182,431
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Lease assets	A1(a)	14,727	-
Deferred tax assets		17,307	17,172
Long-term trade receivables	A1(b)	588,786	599,631
Deposits, cash and bank balances	B12	26,995	26,828
Total Non-Current Assets		**2,118,961**	**2,140,146**
Inventories		1,245	1,258
Amount due from contract customers		7,648	9,104
Trade receivables	A1(b)	186,188	127,902
Other receivables, deposits and prepayments		9,850	12,432
Tax recoverable		1,227	1,277
Investments designated at fair value through profit or loss ("FVTPL")	B12	50,552	61,905
Deposits, cash and bank balances	B12	78,861	89,835
Total Current Assets		**335,571**	**303,713**
TOTAL ASSETS		**2,454,532**	**2,443,859**
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Reserves		589,103	618,495
Total Equity Attributable to Owners of the Company		**1,027,457**	**1,056,849**
Non-controlling interests		264,551	265,443
Total Equity		**1,292,008**	**1,322,292**
LIABILITIES			
Long-term borrowings	B7	437,335	437,064
Lease liabilities	A1(a)	17,215	-
Long-term trade payables		1,957	1,534
Provision for heavy repairs		19,233	17,170
Deferred income		124,217	124,217
Deferred tax liabilities		234,802	235,260
Total Non-Current Liabilities		**834,759**	**815,245**
Trade payables		216,278	199,737
Other payables and accruals		45,507	53,926
Dividend payable	A6(b)	24,190	24,190
Short-term borrowings	B7	31,014	10,058
Lease liabilities	A1(a)	1,010	-
Deferred income		8,707	17,273
Tax liabilities		1,059	1,138
Total Current Liabilities		**327,765**	**306,322**
TOTAL LIABILITIES		**1,162,524**	**1,121,567**
TOTAL EQUITY AND LIABILITIES		**2,454,532**	**2,443,859**
Net assets attributable to owners of the Company (sen per share)		**50.97**	**52.43**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Jun 2019 RM'000	3 Months Ended 30 Jun 2018 RM'000	6 Months Ended 30 Jun 2019 RM'000	6 Months Ended 30 Jun 2018 RM'000
Revenue	B1	**89,077**	97,046	**177,951**	**178,769**
Cost of operations		(54,089)	(56,287)	(108,007)	(107,886)
Gross profit		**34,988**	40,759	**69,944**	**70,883**
Other operating income		1,936	2,043	4,333	3,938
Administrative and other expenses		(11,007)	(10,981)	(21,894)	(23,724)
Operating profit		**25,917**	31,821	**52,383**	**51,097**
Finance costs		(5,949)	(5,240)	(11,725)	(10,365)
Share of results of joint venture		1,344	38	1,414	91
Share of results of associates		(4,307)	(1,273)	(6,591)	(2,527)
Profit before tax	B4	**17,005**	25,346	**35,481**	**38,296**
Income tax expense	B5	(3,761)	(5,686)	(8,127)	(8,668)
Profit for the financial period/ Total comprehensive income		**13,244**	**19,660**	**27,354**	**29,628**
Profit for the financial period/ Total comprehensive income attributable to:					
Owners of the Company		10,712	17,426	22,362	25,023
Non-controlling interests		2,532	2,234	4,992	4,605
		13,244	**19,660**	**27,354**	**29,628**
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B9	0.53	0.86	1.11	1.24

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total Equity
		Share capital	Merger deficit	Retained earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2019, as previously stated		**438,354**	**(71,500)**	**689,995**	**1,056,849**	**265,443**	**1,322,292**
Effects of adoption of MFRS 16	A1(a)	-	-	(3,374)	(3,374)	-	(3,374)
As of 1 January 2019, as restated		**438,354**	**(71,500)**	**686,621**	**1,053,475**	**265,443**	**1,318,918**
Profit for the financial period		-	-	22,362	22,362	4,992	27,354
Total comprehensive income for the financial period		-	-	22,362	22,362	4,992	27,354
Transactions with owners of the Company:							
Dividend paid	A6(a)	-	-	(24,190)	(24,190)	-	(24,190)
Dividend payable	A6(b)	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(5,880)	(5,880)
Capital distribution from liquidation of a subsidiary		-	-	-	-	(4)	(4)
Total transactions with owners of the Company		-	-	(48,380)	(48,380)	(5,884)	(54,264)
As of 30 June 2019		**438,354**	**(71,500)**	**660,603**	**1,027,457**	**264,551**	**1,292,008**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
As of 1 January 2018, as previously stated	**438,561**	**173**	**(71,500)**	**686,300**	**1,053,534**	**274,336**	**1,327,870**
Effects of adoption of MFRS 9	-	(173)	-	173	-	-	-
As of 1 January 2018, as restated	**438,561**	**-**	**(71,500)**	**686,473**	**1,053,534**	**274,336**	**1,327,870**
Profit for the financial period	-	-	-	25,023	25,023	4,605	29,628
Total comprehensive income for the financial period	-	-	-	25,023	25,023	4,605	29,628
Transactions with owners of the Company:							
Dividend paid	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividend payable	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividend paid by a subsidiary to non-controlling interest	-	-	-	-	-	(7,105)	(7,105)
Total transactions with owners of the Company	-	-	-	(48,380)	(48,380)	(7,105)	(55,485)
As of 30 June 2018	**438,561**	**-**	**(71,500)**	**663,116**	**1,030,177**	**271,836**	**1,302,013**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	6 Months Ended 30 Jun 2019 RM'000	6 Months Ended 30 Jun 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	35,481	38,296
Adjustments for:		
Non-cash items	14,359	22,202
Interest income	(1,754)	(1,638)
Finance costs	11,725	10,365
Operating Profit Before Working Capital Changes	59,811	69,225
Net increase in inventories, amount due from contract customers, trade and other receivables	(42,896)	(59,077)
Net increase in amount due to contract customers, trade and other payables and deferred income	5,947	26,381
Cash Generated From Operations	22,862	36,529
Income tax paid	(5,860)	(8,662)
Income tax refunded	-	2
Repayment of operating lease interest	(510)	-
Net Cash From Operating Activities	**16,492**	**27,869**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,515	1,941
Property, plant and equipment:		
- Proceeds from disposal	-	164
- Purchase	(254)	(967)
Consideration received from disposal of an associate	-	358
Dividend income from a joint venture	4,500	-
Investments designated at FVTPL:		
- purchase	(19,300)	(1,500)
- proceeds from redemption	31,668	17,000
Withdrawal of deposits pledged as security	170	2,145
Net Cash From Investing Activities	**18,299**	**19,141**
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns of borrowings	21,000	-
Interest paid	(11,446)	(10,537)
Repayment of finance lease payables	(44)	(80)
Repayment of operating lease payables	(1,010)	-
Dividends paid *(Note A6(a))*	(48,380)	(48,380)
Dividend paid by a subsidiary to non-controlling interest	(5,880)	(7,105)
Capital distribution paid by a subsidiary to non-controlling interest *(Note 1)*	(4)	-
Net Cash Used In Financing Activities	**(45,764)**	**(66,102)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,973)**	**(19,092)**
Effects of foreign exchange rate changes	(1)	2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**89,835**	**111,490**
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**78,861**	**92,400**

CONDENSED STATEMENTS OF CASH FLOWS

	6 Months Ended 30 Jun 2019 RM'000	6 Months Ended 30 Jun 2018 RM'000
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	91,328	82,190
Cash and bank balances	14,528	39,462
Total deposits, cash and bank balances	105,856	121,652
Less: Deposits pledged as security	(26,995)	(29,252)
	78,861	**92,400**

Note 1

As disclosed in Note 18 to the Audited Financial Statements – Investments in Subsidiaries, Taliworks Meruan (Sarawak) Sdn Bhd, a 60% owned subsidiary was under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018. During the current quarter, the liquidator of this subsidiary returned the issued capital of the company equivalent to RM0.02 per share amounting to RM6,000 and RM4,000 respectively to the Group and to the non-controlling interest.

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

PART A – DISCLOSURES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING

A1 – Basis of Preparation

(a) These interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Board Listing Requirements of Bursa Securities Sdn Bhd **("Bursa Securities")** and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by Bursa Securities.

These interim financial statements should be read in conjunction with the latest Audited Financial Statements of the Company and its subsidiaries **("Group")** for the financial year ended 31 December 2018. The significant events and transactions attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the following: -

Adoption of new and revised Malaysian Financial Reporting Standards (MFRSs)

In the current financial year, the Group adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2019.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2015-2017 Cycle	

The application of these amendments to MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group except as disclosed below:-

MFRS 16 Leases

General impact of application of MFRS 16 Leases

MFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. MFRS 16 supersedes the current lease guidance including MFRS 117 Leases and the related Interpretations when it became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of MFRS 16 for the Group was on 1 January 2019.

The Group has chosen the cumulative catch-up approach of MFRS 16 in accordance with MFRS 16:C5(b). Consequently, the Group has recognised the cumulative effect of retrospective application at the date of initial application.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

A1 – Basis of Preparation (Continued)

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

(a) Leases in which the Group is a lessee

Operating leases

On initial application of MFRS 16, for all leases, the Group has:

(a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets will be tested for impairment in accordance with MFRS 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group recognises a lease expense on a straight-line basis as permitted by MFRS 16.

A1 – Basis of Preparation (Continued)

The impact arising from the adoption of MFRS 16 to the statement of financial position of the Group on the date of initial application as at 1 January 2019 is as follows:-

	Impact on the Group's statement of financial position as at 1 January 2019 RM'000
Non-current assets	
- Lease assets	15,860
Non-current liabilities	
- Lease liabilities	(17,215)
Current liabilities	
- Lease liabilities	(2,019)
Retained Earnings	(3,374)

Finance leases

The main differences between MFRS 16 and MFRS 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. MFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by MFRS 117. On initial application, the Group will present equipment previously included in property, plant and equipment within the line item for right‑of‑use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 1 January 2019 on the basis of the facts and circumstances that exist at that date, the directors have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

(b) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

Standards in issue but not yet effective

As at the date of authorisation of these interim financial statements, the new and revised MFRSs and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group are as listed below: -

MFRS 17	Insurance Contracts
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to References to the Conceptual Framework in MFRS Standards	

The Board anticipates that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group in the period of initial application.

A1 – Basis of Preparation (continued)

(b) Critical Accounting Judgment and Key Sources of Estimation Uncertainty

The preparation of these interim financial statements requires the Board to make critical judgments, estimates and assumptions that may affect the application of accounting policies and the amounts recognised in these interim financial statements.

In the interim financial statements for the corresponding period, critical judgments, estimates and assumptions were made to the classification and carrying amount of a trade receivable in Sungai Harmoni Sdn Bhd ("**SHSB**"), a wholly owned subsidiary of the Company. However, for the current reporting period, the degree of estimation uncertainty has been reduced upon SHSB signing the termination and settlement agreement with Pengurusan Air Selangor Sdn Bhd **("Air Selangor")** and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd **("SPLASH")** as further elaborated in Note (iv) below.

The following is a chronology of events leading up to the signing of the said termination and settlement agreement:

(i) In 2014, the Selangor state and Federal governments executed a heads of agreement for Air Selangor, an entity identified by the Selangor state government, to take over the water supply and distribution services in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya **("Supply Area")** by acquiring all the concessionaires **("Water Restructuring Exercise")** namely, SPLASH, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1 and 3, Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 2, Syarikat Bekalan Air Selangor Sdn Bhd **("SYABAS")**, the concessionaire for the distribution of treated water in the Supply Area and Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd **("ABASS")**. ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

(ii) The Selangor state government, through Air Selangor, completed the acquisitions of Puncak Niaga (M) Sdn Bhd and SYABAS in October 2015 and Titisan Modal (M) Sdn Bhd in January 2016 whereas the acquisition of SPLASH was recently completed in April 2019. As part of the Water Restructuring Exercise, all concession agreements related to the water supply and distribution in the Supply Area will be terminated effective from the date to be determined by Air Selangor.

(iii) On 21 August 2018, SHSB received a letter of offer from Air Selangor *(which was duly accepted on 27 August 2018)* setting out the (i) key terms of settlement between Air Selangor, SPLASH and SHSB relating to SHSB's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** under its existing Operations and Maintenance Agreement dated 24 January 2000 for operations and maintenance of SSP1 **(" Existing OMA")** with SPLASH; and the (ii) key terms in respect of the new bulk water supply agreement with Air Selangor in relation to the appointment of SHSB for the operations and maintenance of SSP1 and the supply of treated water ("**BWSA**").

(iv) On 24 May 2019, the Company announced that SHSB entered into the following agreements:-

(a) a termination and settlement agreement with Air Selangor and SPLASH in relation to the settlement of outstanding receivables due from SPLASH arising from the Existing OMA ("**TSA**");

(b) the BWSA; and

(c) a raw water abstraction agreement with Air Selangor in relation to the abstraction of raw water from the relevant raw water source for SSP1.

Currently, these agreements are pending completion. Further details of the announcement by the Company on the above can be downloaded from http://www.bursamalaysia.com/market/listed-companies/company-announcements/6170277.

A1 – Basis of Preparation (continued)

(b) Critical Accounting Judgment and Key Sources of Estimation Uncertainty (continued)

As at the end of the financial period, the outstanding amount payable under the Existing OMA amounted to RM776.599 million (31.12.2018: RM726.016 million). Under the terms of the TSA, SPLASH will pay 90% of all sums due and payable to SHSB under the Existing OMA accumulated as at 30 September 2018 until the date that all conditions precedents are met. Upon the TSA becoming unconditional, the Group will recognise a gain on modification on the amount due from SPLASH arising from the de-recognition of the original sums due and payable to SHSB and the recognition of a new financial asset at its fair value pursuant to MFRS 9 Financial Instruments.

Based on the terms of the TSA, the Group has recognised a loss allowance on the amount due from SPLASH at a lifetime Expected Loss Allowance rate of 10%. The following table summarises the impact of the loss allowance in the statement of profit or loss:-

	3 Months Ended 30 Jun		6 Months Ended 30 Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Reversal/(Recognition) of loss allowance in:				
- revenue	-	-	-	(8,967)
- other operating income	-	-	592	-
- administrative and other expenses	-	-	-	(1,020)
Net impact to profit or loss for the period	-	-	**592**	**(9,987)**

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

There are no significant seasonal or cyclical factors affecting the operations of the Group.

A3 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial period.

A4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years of the Group that have had a material effect in the current quarter and financial period.

A5 – Issuance, Repurchases and Repayments of Debt and Equity Securities

During the current quarter and financial period, there was no issuance, repurchase and repayment of debt and equity securities by the Company.

A6 – Dividends Paid

(a) The total dividends paid to shareholders during the financial year amounted to RM48,379,624 (2017: RM48,379,560) as follows:

A6 – Dividends Paid (continued)

(i) On 26 November 2018, the Board declared a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2018. The dividends amounting to RM24,189,812 were paid on 31 January 2019; and

(ii) On 28 February 2019, the Board declared a fourth interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2018. The dividends amounting to RM24,189,812 were paid on 27 May 2019.

(b) On 28 May 2019, the Board declared a first interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ending 31 December 2019. The dividends amounting to RM24,189,812 were payable on 27 August 2019 and these have been included as dividends payable in these interim financial statements.

A7 – Material Subsequent Events

There were no material events subsequent to the end of the financial period that have not been reflected in these interim financial statements.

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the financial period, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinued operations, except for the striking off of TE Overseas Ventures Pte. Ltd., an indirect wholly-owned subsidiary of the Company, from the register of Accounting and Corporate Regulatory Authority pursuant to Section 344A of the Singapore Companies Act (Chapter 50) on 4 June 2019.

A9 – Other Significant Events and Transactions

Other than disclosed elsewhere in these interim financial statements, there are no other transactions and events that are significant to an understanding of the changes in the financial position and performance of the Group since the end of the last annual reporting period.

A10 - Operating Segments

Segmental information is presented in respect of the Group's business segments, which reflect the Group's management structure and the way financial information is internally reviewed by the Group's chief operating decision makers.

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Amount as per Statement of comprehensive income	
3 months ended 30 Jun	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income Statement																
Revenue	64,927	61,066	79,801	76,622	6,255	13,419	17,622	15,205	1,316	1,316	169,921	167,628	(80,844)	(70,582)	89,077	97,046
Operating profit	22,900	24,452	23,831	23,504	(235)	215	11,456	6,761	(2,908)	(3,208)	55,044	51,724	(29,127)	(19,903)	25,917	31,821
Profit/(Loss) before tax	22,900	24,452	17,486	17,241	(310)	213	5,229	3,098	(3,629)	(3,208)	41,676	41,796	(24,671)	(16,450)	17,005	25,346
Profit/(Loss) after tax	18,960	18,589	13,290	13,103	(310)	213	4,358	2,740	(3,629)	(3,208)	32,669	31,437	(19,425)	(11,777)	13,244	19,660
Other Financial Information																
Depreciation and amortisation	(183)	(228)	(6,848)	(9,927)	(79)	(148)	(5,806)	(5,524)	(667)	(456)	(13,583)	(16,283)	5,053	8,138	(8,530)	(8,145)
EBITDA	23,083	24,680	19,596	22,348	(156)	363	17,262	12,285	(2,241)	(2,752)	57,544	56,924	(23,097)	(16,958)	34,447	39,966
EBDA	19,143	18,817	9,055	11,947	(231)	361	10,164	8,264	(2,962)	(2,752)	35,169	36,637	(13,395)	(8,834)	21,774	27,803
CAPEX	71	60	1,012	3,333	13	-	10	3	18	24	1,124	3,420				

A10 - Operating Segment (continued)

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation (and excludes share of results of associates and joint venture).
(ii) EBDA is defined as earnings before depreciation and amortisation.
(iii) CAPEX is defined as capital expenditure based on the Group's proportionate share on capital expenditure incurred for the financial period.

Notes

1. *The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, waste management, construction and toll highway. Others refer to investment holding and other non-core businesses.*

2. *The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Statements of Profit or Loss and Other Comprehensive Income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.*

3. *The segmental information on the water treatment, supply and distribution division excludes the effects of adoption of MFRS 15 of RM4.844 million (Q2FY18: RM Nil) as further elaborated in Note 1 on page 15 to better assess the operational performance of the division.*

4. *The income statement in the waste management division are solely from the concession business, excludes the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The calculation of EBITDA and EBDA are arrived at after the proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total	
As at 30 Jun	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	803,517	606,663	164,960	218,212	31,149	47,472	1,422,042	1,452,013	32,864	41,997	2,454,532	2,366,357
Segment liabilities	(227,567)	(170,470)	-	-	(22,770)	(31,250)	(814,829)	(828,182)	(97,358)	(34,442)	(1,162,524)	(1,064,344)
Net segment assets	**575,950**	**436,193**	**164,960**	**218,212**	**8,379**	**16,222**	**607,213**	**623,831**	**(64,494)**	**7,555**	**1,292,008**	**1,302,013**

PART B – DISCLOSURES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Overall Review of Group's Financial Performance

Part A – Review of Statement of Financial Position

Trade receivables, primarily from the amount due from SPLASH, continue to increase since the latest audited financial statements. However, with the execution of the TSA, these long outstanding receivables will be resolved and the Group expects that its cash flow position will be further strengthen.

On the initial application of MFRS 16 as at 1 January 2019, the Group recognised right-of-use assets and lease liabilities in the statement of financial position as disclosed in Note A1(a). Subsequently, these amount will be expensed off to profit or loss over the lease term by way of depreciation of right-of-use assets and interest expense on lease liabilities.

The Group's trade payables increased from RM201.2 million as at the last audited financial statements to RM218.2 million mainly due to the increase in trade payables in SHSB, owing to the partial payments received from SPLASH which limits the ability of SHSB to pay its creditors in full. However, in light of the issue of the high trade receivables being addressed, the trade payables are expected to reduce over time. On the other hand, other payables and accruals have decreased primarily from the reduction in the amount of advances received earlier from a project customer.

Investments designated at FVTPL, deposits, bank and cash balances totalled RM156.4 million, down from RM178.6 million principally from payment of dividends and interest offset by net cash generated from operations and investing activities and drawdown of short-term borrowings.

Part B – Review of Income Statement

	3 Months Ended 30 Jun 2019 RM'000	3 Months Ended 30 Jun 2018 RM'000	6 Months Ended 30 Jun 2019 RM'000	6 Months Ended 30 Jun 2018 RM'000
Revenue				
Water treatment, supply and distribution	64,927	61,066	127,926	121,265
Construction	5,318	13,419	12,478	21,189
Toll highway	22,360	21,245	44,426	42,650
Others	1,316	1,316	2,632	2,632
	93,921	97,046	187,462	187,736
Less:				
- Loss allowances on trade receivables (Note A1(b))	-	-	-	(8,967)
- Adjustment to revenue *(Note 1)*	(4,844)	-	(9,511)	-
Revenue as per Condensed Statement of Comprehensive Income	**89,077**	**97,046**	**177,951**	**178,769**

Note 1

*This amount represents a deduction by 10% on the revenue in the water treatment, supply and distribution segment pertaining to the current period's invoices to SPLASH which is deemed uncollectable pursuant to the TSA and therefore excluded from revenue in accordance with MFRS 15 **("MFRS 15 Deduction")**. According to the Group's Accounting Policy on Revenue referred to in Note 3 of the Audited Financial Statements, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For the purposes of providing a more detailed analysis on the performance of the revenue of the respective business segments of the Group, this amount is shown as a separate line item instead of being excluded from revenue as required under MFRS 15.*

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

Profit Before Tax

	3 Months Ended 30 Jun 2019 RM'000	3 Months Ended 30 Jun 2018 RM'000	6 Months Ended 30 Jun 2019 RM'000	6 Months Ended 30 Jun 2018 RM'000
Water treatment, supply and distribution	18,056	24,452	36,268	37,898
Construction	(267)	215	(239)	(315)
Toll highway	10,969	10,360	21,665	20,896
Others	(2,841)	(3,206)	(5,311)	(7,382)
Operating profit	**25,917**	**31,821**	**52,383**	**51,097**
Finance cost	(5,949)	(5,240)	(11,725)	(10,365)
Share of results of joint venture	1,344	38	1,414	91
Share of results of associates	(4,307)	(1,273)	(6,591)	(2,527)
Profit before tax for the period	**17,005**	**25,346**	**35,481**	**38,296**

(a) Current Quarter vs. Preceding Year's Corresponding Quarter

Overall Summary

The Group recorded a decrease in revenue by RM7.9 million from RM97.0 million to RM89.1 million mainly from lower contribution from the construction business.

On the Group's profit before taxation **("PBT")**, the Group registered a lower PBT of RM17.0 million compared to RM25.3 million in the corresponding quarter attributable, amongst others, to the following:-

(a) MFRS 15 Deduction of RM4.84 million in the current quarter;

(b) higher rehabilitation and maintenance costs incurred in both water treatment plants and penalty charges on outstanding bills owing to Tenaga Nasional Berhad **("TNB")** in SSP1;

(c) higher losses recorded from the construction segment;

(d) higher share of losses from an associate, SWM Holdings Environment Sdn Bhd ("**SWMH**"); and

(e) higher financing costs due to increases in short term borrowings;

but the decrease in PBT was mitigated by the increase in share of results in a joint-venture company, Grand Sepadu (NK) Sdn Bhd ("**Grand Sepadu**"), the operator of the New North Klang Straits Bypass Expressway ("**NNKSB**") which had received compensation from the Government of Malaysia for the non-increase in scheduled toll rate hike on 1 January 2016.

Water treatment, supply and distribution

Despite the drop in production in SSP1, operating revenue from the water treatment, supply and distribution segment for the current quarter (without taking account the MFRS 15 Deduction) was higher at RM64.93 million compared to corresponding quarter of RM61.07 million due to the increase in the Bulk Sales Rate from RM0.44/m3 to RM0.46/m3 in SSP1 under the Existing OMA effective 1 January 2019 ("**BSR Increase**") and increases in electricity rebates from the higher electricity costs in SSP1 and in the Langkawi operations.

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

(a) Current Quarter vs. Preceding Year's Corresponding Quarter–(continued)

Water treatment, supply and distribution (continued)

Metered Sales – (million m3)	Q2 -2019	Q2 - 2018	Increase/ (Decrease)
SSP1	89.4	89.8	(0.45%)
Langkawi	5.26	5.26	-

The operating profit was lower at RM18.1 million compared to RM24.5 million achieved a year ago on account of MFRS 15 Deduction, higher penalty charges on TNB bills remaining unpaid in SSP1 amounting to RM1.45 million (2018: RM1.15 million) coupled with higher rehabilitation and maintenance costs totalling RM5.09 million (2018: RM3.39 million) incurred.

Construction

The construction revenue was lower by RM8.1 million to RM5.3 million compared to RM13.4 million achieved a year ago mainly due to the completion of New Access to NNKSB (Jalan Haji Sirat) Project since the third quarter of last year. The construction revenue in the current quarter was mainly from the on-going Langat 2 - Package 7 Balancing Reservoir Project **("L2P7 Project")** which commenced in the fourth quarter of 2017 and from the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works **("GP3A Project").**

During the current quarter, the segment recorded an operating loss at RM0.3 million compared to operating profit RM0.2 million achieved in the corresponding quarter due to further losses recognised from GP3A Project and arising from the completion of New Access to NNKSB (Jalan Haji Sirat) Project despite lower overhead costs. Currently, the Group is in discussion with a client on a Variation of Pricing amounting to a maximum of RM4.2 million which can potentially be recognised in the subsequent quarters.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd **("Grand Saga")**; the operator of the Cheras-Kajang highway, was higher by RM1.1 million as compared to the corresponding quarter with higher Average Daily Traffic **("ADT")** of 3.7% i.e. 148,942 vehicles per day compared to 143,645 vehicles per day recorded in the corresponding quarter. However, the segment's operating profit was marginally higher by RM0.6 million due to higher provision for heavy repairs and lower other income in the current quarter.

Toll highway – Share of results of joint venture

During the current quarter, Grand Sepadu received cash compensation of RM4.125 million from the Government of Malaysia for the non-increase in scheduled toll rate hike on 1 January 2016 ("**Toll Compensation**"). The compensation was in respect of the balance of the compensation receivable for the year 2018. Arising therefrom, the Group recognised an additional RM1.2 million from the share of results from this joint venture in the current quarter.

The Group's share of results in Grand Sepadu was higher compared to the corresponding quarter due to said Toll Compensation coupled with higher ADT by 4.5% to 94,005 vehicles per day from 89,992 vehicles per day.

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

(a) Current Quarter vs. Preceding Year's Corresponding Quarter–(continued)

Waste management – Associate

The Group's share of results of associates was mainly contributed by SWMH. The Group's share of losses from SWMH is RM4.8 million compared to RM1.7 million a year ago primarily arising from the changes in the estimates for the amortisation of concession asset as disclosed in Note 4(ii)(j) of the Audited Financial Statements - Critical Accounting Judgements and Key Sources of Estimation Uncertainty. The share of loss arose from adjustments made by the Group amounting to RM51.6 million (2018: RM42.2 million) to the SWMH's Profit after Tax **("PAT")** of RM38.0 million (2018: RM37.4 million).

(b) Current Year-to-date vs. Preceding Year-to-date

Overall Summary

Despite the significant increase in the revenue from the water treatment, supply and distribution business as a result of the BSR Increase, the Group recorded a marginal decrease in revenue from RM178.7 million to RM178.0 million in the current financial period mainly attributable to a drastic drop in the contribution from the construction business.

The Group registered a lower PBT of RM35.5 million compared to RM38.3 million in the corresponding period mainly attributable to the following: -

(a) impact from loss allowances and MFRS 15 Deduction amounting to RM8.9 million in the current quarter (2018: RM10.0 million);

(b) higher rehabilitation and maintenance costs incurred in both the water treatment plants and penalty charges on TNB's outstanding bills in SSP1;

(c) higher financing costs due to increases in short term borrowings; and

(d) higher share of losses from an associate, SWMH arising from the change in the estimates for the amortisation of concession asset;

However, the decrease in PBT was mitigated by the Toll Compensation in Grand Sepadu in the current period.

Water treatment, supply and distribution

At the operating level without taking into consideration the accounting impact from the adoption of MRFS 15 and the loss allowance on trade receivables, revenue from water treatment, supply and distribution business recorded an increase from RM121.3 million to RM127.9 million due to the BSR Increase and higher electricity rebates from the higher electricity costs in SSP1 and in the Langkawi operations.

Metered Sales – (million m3)	2019	2018	Increase/ (Decrease)
SSP1	176.2	177.8	(0.89%)
Langkawi	10.54	10.52	0.19%

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

(b) Current Year-to-date vs. Preceding Year-to-date (continued)

Despite the substantial increase in revenue, the segment operating profit was lower at RM36.3 million compared to RM37.9 million a year ago due to higher rehabilitation and maintenance costs of RM10.24 million (2018: RM7.51 million) coupled with the higher late penalty charges on outstanding TNB bills remaining unpaid in SSP1 amounting to RM3.37 million (2018: RM2.03 million).

Construction

The revenue from construction decreased substantially to RM12.5 million from RM21.2 million due to the completion of New Access to NNKSB (Jalan Haji Sirat) Project since the third quarter of last year and lower contribution from on-going projects. Despite the lower revenue, the segment's operating loss is almost similar due to reversal of interest income on retention sum recognised in the previous year. The retention sum monies retained under construction contracts, which has falls into the current aging bucket, has resulted in a reversal of interest income previously recognised.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway increased to RM44.4 million from RM42.6 million due to the higher ADT growing by 3.0% from 144,447 vehicles per day to 148,743 vehicles per day. However, the company's operating profit was merely higher by RM0.8 million due to higher depreciation and amortisation expenses and provision for heavy repairs in the current period.

Toll operations -Share of results of joint venture

The Group's share of results in Grand Sepadu was higher compared to the corresponding period on account of higher ADT and Toll Compensation received in the financial period. In terms of overall ADT, there was an increase of 3.2% i.e. 93,177 vehicles per day from 90,347 vehicles per day recorded in the previous year.

Waste management –Share of results of associate

The Group's share of results from SWMH was a loss of RM7.4 million compared to RM3.4 million profit in the corresponding period due to the impact from the changes in the estimates for the amortisation of concession asset as mentioned earlier. The share of loss arose from adjustments made by the Group amounting to RM102.8 million (2018: RM84.4 million) to the SWMH's PAT of RM81.6 million (2018: RM74.8 million).

B1 – Overall Review of Group's Financial Performance (continued)

(c) Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter

Revenue

	3 Months Ended 30 Jun 2019 RM'000	3 Months Ended 31 Mar 2019 RM'000
Water treatment, supply and distribution	64,927	62,999
Construction	5,318	7,160
Toll highway	22,360	22,066
Others	1,316	1,316
	93,921	93,541
Less:		
- Adjustment to revenue *(Refer to Note 1 on Page 15)*	(4,844)	(4,667)
Total revenue as per Condensed Statement of Comprehensive Income	**89,077**	**88,874**

Profit Before Tax

	3 Months Ended 30 Jun 2019 RM'000	3 Months Ended 31 Mar 2019 RM'000
Water treatment, supply and distribution	18,056	18,212
Construction	(267)	28
Toll highway	10,969	10,696
Others	(2,841)	(2,470)
Operating profit	**25,917**	**26,466**
Finance cost	(5,949)	(5,776)
Share of results of joint venture	1,344	70
Share of results of associates	(4,307)	(2,284)
Profit before tax for the period	**17,005**	**18,476**

The Group recorded a small increase in revenue from RM88.9 million to RM 89.1 million mainly due to higher revenue contribution from water treatment, supply and distribution segment but mitigated by the lower contribution from construction business in the current quarter.

Metered Sales – (million m3)	Q2 -2019	Q1 - 2019	Increase/ (Decrease)
SSP1	89.4	86.8	3.0%
Langkawi	5.26	5.28	(0.38%)

The Group's PBT decreased to RM17.0 million compared to RM18.5 million in the previous quarter mainly due to higher share of losses from SWMH and losses from the construction business. However, the lower PBT was mitigated by the higher share results of joint venture arising from the Toll Compensation received in the current quarter.

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM11.0 million during the financial period.

Net Cash Generated from Operating Activities was recorded at RM16.5 million compared to RM27.9 million a year ago mainly due to payments made to sub-contractors for work done and higher electricity payments of TNB in the current financial period.

B1 – Overall Review of Group's Financial Performance (continued)

Part C – Review of Statement of Cash Flow (continued)

Net Cash from Investing Activities totalled RM18.3 million compared to RM19.1 million a year ago due to lower net proceeds from redemption of investments designated at FVTPL compared to the corresponding period, net of dividend income from a joint venture received in the current financial period.

Net Cash Used in Financing Activities totalled RM45.8 million as compared to RM66.1 million a year ago due to the drawdown of short-term bank borrowings during the current financial period.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. With the execution of the TSA, the long outstanding receivables from SPLASH is finally resolved wherein the Group expects that its cash flow position will be further strengthen. Under the BWSA, the continuation of the operations and maintenance of SSP1 will provide a steady stream of recurring income to the Group.

In the construction segment, the GP3A Project which commenced work in 2016 has been granted an extension of time to complete until fourth quarter of 2019. The L2P7 Project is the main construction activity currently underway and the Group is in the process of applying for an extension of time until October 2019, subject to the approval of the client. In October of last year, the Group, via its wholly-owned subsidiary, was awarded the Proposed Construction and Completion Including Handing Over To Authority Of 76ML R.C Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan at a contract sum of RM42.356 million to be completed with 36 months from the date for possession of the site. The Group is continuing with its efforts to tender for more infrastructure projects. No new projects were secured during the quarter.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the Grand Sepadu Highway is expected to be moderate. For the six months ended 30 June 2019, the ADT at the Cheras-Kajang Highway grew by 3.0% whereas at Grand Sepadu Highway, ADT grew by about 3.2% year-on-year. In respect of the proposed toll restructuring by the Federal Government, meetings have been held by the Malaysian Highway Authority with the various toll operators and as of to-date, there is still no outcome from the Government with regards to the toll business of the Group.

In the waste management division, SWMH is expected to grow its business with the increasing servicing areas as well as improving its operational efficiency to deal with the escalating costs in managing solid waste in the concession areas where is it currently serving. SWMH is currently in the process of reviewing its tariff on its solid waste collection and public cleansing management services with the Federal Government.

The Group will continue with its strategy to focus on mature operational cash-generating utilities/infrastructure businesses with a view of generating new income stream and provide a recurring and stable source of cash flow to the Group to support the Company's dividend policy.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecasts or guarantees were issued or published.

B4 – Profit before tax

Included in the profit before tax are the following items: -

	3 Months Ended 30 Jun		6 Months Ended 30 Jun	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Loss allowance on trade receivables (Note A1(b))	-	-	-	(8,967)
Other operating income:				
Interest income on fixed deposits with licensed banks	893	802	1,754	1,638
Dividend from investments designated at FVTPL	303	525	696	1,070
Rental income	129	176	259	306
Gain on foreign exchange (realised)	-	2	-	2
Interest income imputed on retention sum	42	(25)	62	-
Fair value gain arising on financial assets measured at FVTPL	257	73	398	160
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(8,530)	(8,145)	(16,991)	(16,314)
Imputed interest on borrowing	(137)	(137)	(272)	(272)
Loss on redemption of investments designated at FVTPL	(33)	-	(74)	-
Fair value loss arising on financial assets measured at FVTPL	(12)	(4)	(22)	(4)
Loss on disposal of an associate	-	-	-	(13)
Loss on foreign exchange (unrealised)	1	791	(1)	-
Realised foreign exchange losses	-	(730)	-	(730)
Loss allowance on trade receivables and amount due from contract customers	(18)	-	(28)	(1,020)
Reversal of interest income imputed on retention sum	-	(649)	-	(649)

Save as disclosed above, the other items required under Chapter 9, Appendix 9B, Part A (16) of the Listing Requirements of Bursa Securities are not applicable.

B5 – Income Tax Expense

	3 Months Ended 30 Jun		6 Months Ended 30 Jun	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income tax:				
-Current year tax	3,392	6,031	8,720	11,213
-Deferred tax expense	369	(345)	(593)	^(2,545)
Total income tax expense	**3,761**	**5,686**	**8,127**	**8,668**

^ *included in this amount is the tax effects of the loss allowances on trade receivables recognised amounting to RM2.4 million.*

B5 – Income Tax Expense (continued)

The income tax expense is in respect of the estimated Malaysian income tax charges and deferred tax expenses. The effective tax rate of the Group varied from the statutory tax rate principally due to non-deductibility of certain expenses and/or non-taxability of certain income, as the case maybe, tax effect of share of profits/loss of joint venture and associate and losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group.

B6 – Status of Corporate Proposals Announced but not Completed

As at 20 August 2019 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are borrowings denominated in Ringgit Malaysia as follows: -

	←Short Term→			←Long Term→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Finance lease liabilities	14	-	14	-	-	-
Revolving credit	-	31,000	31,000	-	20,000	20,000
IMTN	-	-	-	417,335	-	417,335
As at 30 Jun 2019	**14**	**31,000**	**31,014**	**417,335**	**20,000**	**437,335**
As at 30 Jun 2018	**78**	**-**	**78**	**416,844**	**-**	**416,844**

The increase in the Group's borrowings was mainly due to drawdown from revolving credit facilities. These facilities are unsecured and one of the revolving credit facility is repayable over three equal annual instalments of RM10.0 million over a duration of three years commencing from the date of drawdown whereas the other revolving credit facility is repayable on demand.

B8 – Changes in Material Litigations

SHSB received two writs of summons together with the corresponding statements of claim dated 1 March 2018 filed by TNB in relation to the outstanding payment of electricity bills to TNB. The next hearing for the suits has been fixed for 13 November 2019**.**

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the reporting date.

	3 Months Ended 30 June		6 Months Ended 30 June	
	2019	2018	2019	2018
Profit for the financial period attributable to owners of the Company (RM'000)	10,712	17,426	22,362	25,023
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,814	2,015,817	2,015,814
Basic EPS (sen)	0.53	0.86	1.11	1.24

B9 – Earnings Per Share ("EPS") (continued)

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period. For the current financial period, diluted earnings per share is the same as the basic earnings per share calculated above.

In respect of the corresponding period, the diluted earnings per share was calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during that financial period adjusted for potential dilutive ordinary shares from the exercise of Warrants (which subsequently expired on 11 November 2018). The exercised Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

In accordance to MFRS 133 – Earnings Per Share, if the number of ordinary or potential ordinary shares outstanding increases as a result of a bonus issue, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Accordingly, the comparative weighted average number of ordinary shares in issue and basic and diluted earnings per share have been restated to reflect the retrospective adjustment arising from the completion of the bonus issue on the basis of 2 bonus shares for every 3 existing ordinary shares in the Company on 19 October 2018 (**"Bonus Issue"**).

B10 – Dividends

The Board is pleased to declare a second interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM24,189,811, in respect of the financial year ending 31 December 2019, to be payable on 26 November 2019.

For the financial year ending 31 December 2019, the Board has declared a total single-tier dividend of 2.4 sen to shareholders amounting to RM48,379,622 (2018: 2.4 sen per share adjusted for the Bonus Issue amounting to RM48,379,560).

B11 – Auditors' Reports

The auditors' report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification.

B12 – Investment Designated at FVTPL, Deposits, Bank and Cash Balances

As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM156.4 million are approximately: -

(i) RM26.9 million held as securities for banking facilities secured by the Group,

(ii) RM104.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and

(iii) RM24.2 million for the fourth interim single-tier dividend payable in respect of the financial year ended 31 December 2018.

B13 – Authorisation for Release

These interim financial statements have been reviewed by the Audit and Risk Management Committee and approved by the Board for public release.

By Order of the Board
Tan Bee Hwee (MAICSA 7021024)
Wong Wai Foong (MAICSA 7001358)
Company Secretaries
27 August 2019