

TALIWORKS CORPORATION BERHAD
(Company No 196501000264 (6052-V))
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2021
(UNAUDITED)

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KEY FINANCIAL HIGHLIGHTS

<i>(in RM'000 unless specified otherwise)</i>	<u>6 months ended 30 June</u>		<u>Variance</u>
	<u>2021</u>	<u>2020</u>	(%)
	unaudited	unaudited	#
Revenue	127,540	160,355	↓ 20
Gross profit	49,340	60,249	↓ 18
Profit before taxation (“PBT”)	32,897	36,859	↓ 11
Profit for the period	27,022	29,498	↓ 8
Earnings per share (EPS) (sen)	1.24	1.37	↓ 10
Dividends per share (sen)	3.30	3.30	-

approximate, to the nearest digit

- Revenue stood at RM127.5 million, a decrease of 20% or RM32.8 million compared to the corresponding period, attributable to lower revenue from the water treatment, supply and distribution segment.
- The drop in revenue in the water treatment, supply and distribution segment was primarily due to: (i) the expiration of Taliworks (Langkawi) Sdn Bhd’s privatisation contract with the State Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi on 31 October 2020 in which the company contributed a revenue of RM30.7 million and an operating profit of RM5.5 million to the Group in the corresponding period; and (ii) lower metered sales by 1.6% and electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 (“SSPI”) operation.
- As a result of the lower revenue, gross profit decreased by 18% or by RM10.9 million to RM49.3 million as compared to RM60.2 million achieved previously.
- In line with the lower revenue and gross profit, PBT saw a reduction by 11% or by RM4.0 million to RM32.9 million. The PBT was also impacted by lower net returns from interest income, dividend and gain/loss on redemption from investments designated at fair value through profit or loss (“FVTPL”) due to reduction in cash reserves as compared to a year ago. However, the lower PBT was mitigated by higher share of results from joint venture and associates as well as lower administrative and other expenses and financing costs.
- Profit for the period was lower by 8% or by RM2.5 million in tandem with the lower PBT.
- EPS decreased by 10%, reflecting lower profit attributable to shareholders of the Company.
- The Board is pleased to declare a second interim single-tier dividend of 1.65 sen per ordinary share amounting to approximately RM33.3 million in respect of the financial year ending 31 December 2021.

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Jun 2021 RM'000 (Unaudited)	31 Dec 2020 RM'000 (Audited)
ASSETS			
Property, plant and equipment		6,704	8,941
Right-of-use assets		11,074	12,304
Investment properties		917	219
Intangible assets		1,034,161	1,044,806
Investment in joint venture		63,560	62,952
Investment in associates		164,959	160,347
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Long-term other receivable		21,909	21,909
Deposits, cash and bank balances	B12	23,517	53,231
Total Non-Current Assets		1,456,426	1,494,334
Inventories		2,549	2,901
Amount due from contract customers		5,712	11,991
Trade receivables		68,599	91,716
Other receivables, deposits and prepayments		12,641	11,826
Tax recoverable		11,842	11,304
Investments designated at fair value through profit or loss	B12	344,163	386,326
Deposits, cash and bank balances	B12	51,311	64,617
Total Current Assets		496,817	580,681
TOTAL ASSETS		1,953,242	2,075,015
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Retained earnings		550,925	592,493
Total Equity Attributable to Owners of the Company		917,779	959,347
Non-controlling interests		244,573	248,385
Total Equity		1,162,352	1,207,732
LIABILITIES			
Long-term borrowings	B7	328,431	358,159
Lease liabilities		12,625	12,625
Long-term trade payables		1,044	17,039
Long-term other payables		-	6,675
Provisions		25,947	23,539
Deferred income		92,641	92,641
Deferred tax liabilities		234,596	234,987
Total Non-Current Liabilities		695,284	745,665
Trade payables		38,393	44,853
Other payables and accruals		17,270	26,372
Provisions		794	2,207
Short-term borrowings	B7	30,000	30,000
Lease liabilities		1,337	2,705
Deferred income		7,750	15,375
Tax liabilities		62	106
Total Current Liabilities		95,606	121,618
TOTAL LIABILITIES		790,890	867,283
TOTAL EQUITY AND LIABILITIES		1,953,242	2,075,015

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended		6 Months ended	
		30 Jun		30 Jun	
		2021 RM'000 unaudited	2020 RM'000 unaudited	2021 RM'000 unaudited	2020 RM'000 unaudited
Revenue	A5,B1	61,921	76,103	127,540	160,355
Cost of operations		(38,194)	(50,940)	(78,200)	(100,106)
Gross profit		23,727	25,163	49,340	60,249
Other operating income		2,812	4,920	5,535	10,645
Administrative and other expenses		(8,088)	(8,289)	(17,765)	(19,112)
Operating profit		18,451	21,794	37,110	51,782
Finance costs		(4,763)	(5,167)	(9,432)	(10,774)
Share of results of joint venture		207	41	608	197
Share of results of associates		2,275	(962)	4,611	(4,346)
Profit before tax	B4	16,170	15,706	32,897	36,859
Income tax expense	B5	(2,909)	(3,679)	(5,875)	(7,361)
Profit for the financial period/ Total comprehensive income		13,261	12,027	27,022	29,498
Profit for the financial period/ Total comprehensive income attributable to:					
Owners of the Company		12,566	11,701	24,954	27,606
Non-controlling interests		695	326	2,068	1,892
		13,261	12,027	27,022	29,498
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.63	0.58	1.24	1.37

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

<u>Note</u>	<u>Attributable to owners of the Company</u>					<u>Total Equity</u> RM'000
	<u>Share capital</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non- controlling interests</u> RM'000	
As of 1 January 2021	438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the financial period	-	-	24,954	24,954	2,068	27,022
Total comprehensive income for the financial period	-	-	24,954	24,954	2,068	27,022
Transactions with owners of the Company:						
Dividends paid	-	-	(66,522)	(66,522)	-	(66,522)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(5,880)	(5,880)
Total transactions with owners of the Company	-	-	(66,522)	(66,522)	(5,880)	(72,402)
As of 30 June 2021 (unaudited)	438,354	(71,500)	550,925	917,779	244,573	1,162,352

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to owners of the Company</u>				<u>Non- controlling interests</u>	<u>Total Equity</u>
	<u>Share capital</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000		
As of 1 January 2020	438,354	(71,500)	666,050	1,032,904	260,021	1,292,925
Profit for the financial period	-	-	27,606	27,606	1,892	29,498
Total comprehensive income for the financial period	-	-	27,606	27,606	1,892	29,498
Transactions with owners of the Company:						
Dividend paid	-	-	(66,522)	(66,522)	-	(66,522)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(6,370)	(6,370)
Total transactions with owners of the Company	-	-	(66,522)	(66,522)	(6,370)	(72,892)
As of 30 June 2020 (unaudited)	438,354	(71,500)	627,134	993,988	255,543	1,249,531

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	32,897	36,859
Adjustments for:		
Non-cash items	802	10,364
Interest income	(732)	(1,486)
Finance costs	9,432	10,774
Operating Profit Before Working Capital Changes	42,399	56,511
Net decrease in inventories, amount due from contract customers, trade and other receivables	28,663	273
Net decrease in amount due to contract customers, trade and other payables and deferred income	(40,843)	(67,109)
Cash Generated From /(Used In) Operations	30,219	(10,325)
Income tax paid	(5,983)	(5,866)
Income tax refund	-	272
Net Cash From/(Used in) Operating Activities	24,236	(15,919)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	759	1,909
Property, plant and equipment:		
- Proceeds from disposal	102	25
- Purchases	(79)	(157)
Dividend income from associate	60	-
Investments designated at FVTPL:		
- purchase	(26,000)	(18,000)
- proceeds from redemption	71,805	185,864
Withdrawals of deposits pledged as security	29,847	30,058
Net Cash From Investing Activities	76,494	199,699
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,330)	(11,503)
Repayment of borrowings	(30,098)	(80,094)
Repayment of lease liabilities	(1,206)	(1,206)
Dividends paid (<i>Note A7</i>)	(66,522)	(90,712)
Dividends paid by a subsidiary to non-controlling interests	(5,880)	(6,370)
Net Cash Used In Financing Activities	(114,036)	(189,885)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,306)	(6,105)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	64,617	72,524
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	51,311	66,419

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	57,506	72,602
Cash and bank balances	17,322	21,748
Total deposits, cash and bank balances	74,828	94,350
Less: Deposits pledged as security	(23,517)	(27,931)
	<u>51,311</u>	<u>66,419</u>

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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

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**”), the guidance and recommendations set out in Issues Communication – Guidance on Disclosures in Notes to Quarterly Report (“ICN 1/2017”) and Issuers Communication - Disclosure Guidance on Covid-19 Related Impacts and Investments (ICN 1/2020”) 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 2020 (“**Audited Financial Statements**”). The selected explanatory notes 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 by the Group in these interim financial statements are consistent with those adopted in the Audited Financial Statements, except for the following: -

Adoption of revised Malaysian Financial Reporting Standards (“MFRSs”)

In the current financial period, the Group adopted all the amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2021.

Amendments to MFRSs	Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to MFRS 16	Leases-Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021 (early adopted)

The application of these 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.

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 17	Insurance Contracts
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract
Annual Improvement to MFRS Standards 2018-2020	

A1 – Basis of Preparation (continued)

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.

A2 – Comments about the Seasonal or Cyclical 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 – Disaggregation of Revenue

The disaggregation of revenue was as follows:

	<u>3 Months ended</u>		<u>6 Months ended</u>	
	<u>30 Jun</u>		<u>30 Jun</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Revenue from contracts with customers:</i>				
Management, operations and maintenance of water treatment plants	42,103	57,698	84,220	119,298
Toll revenue and operator fee	12,045	9,848	26,420	25,557
Revenue from construction contracts	2,690	3,272	6,616	4,929
Management fees	1,250	1,316	2,500	2,632
	<u>58,088</u>	<u>72,134</u>	<u>119,756</u>	<u>152,416</u>
<i>Revenue from other sources:</i>				
Deferred income	<u>3,833</u>	<u>3,969</u>	<u>7,784</u>	<u>7,939</u>
Revenue as per Condensed Statement of Comprehensive Income	<u>61,921</u>	<u>76,103</u>	<u>127,540</u>	<u>160,355</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>				
At a point in time	54,148	67,546	110,640	144,855
Over time	<u>3,940</u>	<u>4,588</u>	<u>9,116</u>	<u>7,561</u>
	<u>58,088</u>	<u>72,134</u>	<u>119,756</u>	<u>152,416</u>

A6 – 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.

A7 – Dividends Paid

The total dividends paid to shareholders during the financial period amounted to RM66,522,000 (2020: RM90,712,000) as follows:

- (i) On 26 February 2021, the Board declared a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ended 31 December 2020 which was paid on 31 March 2021; and
- (ii) On 19 May 2021, the Board declared a first interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ending 31 December 2021 which was paid on 30 June 2021.

A8 – Material Subsequent Events

There were no material events subsequent to the end of the financial report that have not been reflected in these interim financial statements except that in July 2021, Grand Saga Sdn Bhd (“**Grand Saga**”), the operator of the Cheras-Kajang highway, received a cash compensation of RM43.5 million from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020.

A9 - Contingent Liabilities

Saved as disclosed in Note 45 to the Audited Financial Statements, there were no other material contingent liabilities as at the end of the current financial period and up to the date of these interim financial statements.

A10 – 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.

A11 – Other Significant Events and Transactions

There are no other transactions and events that are significant to the understanding of the changes in the financial position and performance of the Group since the Audited Financial Statements.

A12 - 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.

<u>3 Months</u> <u>ended 30 June</u> unaudited	Water treatment, supply and distribution		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per Condensed Statement of Comprehensive Income	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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
Revenue	42,103	57,698	2,690	3,351	12,092	10,369	80,170	77,310	1,250	1,316	138,305	150,044	(76,384)	(73,941)	61,921	76,103
EBITDA(i)	14,956	18,373	(28)	27	8,609	7,583	22,698	20,264	(1,659)	(1,302)	44,694	44,945	(19,979)	(17,713)	24,715	27,232
Depreciation and amortisation	(113)	(296)	(9)	(44)	(4,077)	(3,404)	(2,391)	(4,561)	(898)	(913)	(7,488)	(9,218)	1,224	3,780	(6,264)	(5,438)
Operating profit/(loss)	14,961	18,077	(37)	(17)	4,532	4,179	20,307	15,703	(2,557)	(2,215)	37,206	35,727	(18,755)	(13,933)	18,451	21,794
Finance costs	-	-	-	-	(3,022)	(3,296)	(6,680)	(6,609)	(203)	(264)	(9,905)	(10,169)	5,142	5,002	(4,763)	(5,167)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	207	41	207	41
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	2,275	(962)	2,275	(962)
Profit/(loss) before tax	14,961	18,077	(37)	(17)	1,510	883	13,627	9,094	(2,760)	(2,479)	27,301	25,558	(11,131)	(9,852)	16,170	15,706
Income tax expense	(3,168)	(3,910)	-	-	(222)	(123)	(5,886)	(4,907)	-	-	(9,276)	(8,940)	6,367	5,261	(2,909)	(3,679)
Profit/(loss) after tax	11,793	14,167	(37)	(17)	1,288	760	7,741	4,187	(2,760)	(2,479)	18,025	16,618	(4,764)	(4,591)	13,261	12,027
EBDA(ii)	11,906	14,463	(28)	27	5,365	4,164	10,132	8,748	(1,862)	(1,566)	25,513	25,836	(5,988)	(8,371)	19,525	17,465
Capex(iii)	24	23	25	9	23	1	594	2,168	5	-	671	2,201				

6 months ended 30 Jun unaudited	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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
Revenue	84,220	119,298	6,616	5,296	26,029	24,600	159,244	155,328	2,500	2,632	278,609	307,154	(151,069)	(146,799)	127,540	160,355
EBITDA(i)	29,717	42,384	(1,274)	(108)	18,888	18,395	45,567	40,361	(3,374)	(2,878)	89,524	98,154	(38,927)	(33,109)	50,597	65,045
Depreciation and amortisation	(243)	(315)	(17)	(88)	(8,850)	(8,445)	(4,983)	(10,184)	(1,805)	(1,829)	(15,898)	(20,861)	2,411	7,598	(13,487)	(13,263)
Operating profit	29,474	42,069	(1,291)	(196)	10,038	9,950	40,584	30,177	(5,179)	(4,707)	73,626	77,293	(36,516)	(25,511)	37,110	51,782
Finance costs	-	-	-	-	(6,016)	(6,639)	(13,176)	(12,865)	(407)	(912)	(19,599)	(20,416)	10,167	9,642	(9,432)	(10,774)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	608	197	608	197
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(4,611)	(4,346)	(4,611)	(4,346)
Profit before tax	29,474	42,069	(1,291)	(196)	4,022	3,311	27,408	17,312	(5,586)	(5,619)	54,027	56,877	(21,130)	(20,018)	32,897	36,859
Income tax expense	(6,417)	(7,805)	-	-	(544)	(387)	(11,853)	(9,470)	-	-	(18,814)	(17,662)	12,939	10,301	(5,875)	(7,361)
Profit after tax	23,057	34,264	(1,291)	(196)	3,478	2,924	15,555	7,842	(5,586)	(5,619)	35,213	39,215	(8,191)	(9,717)	27,022	29,498
EBDA(ii)	23,300	34,579	(1,274)	(108)	12,328	11,369	20,538	18,026	(3,781)	(3,790)	51,111	60,076	(10,602)	(17,315)	40,509	42,761
Capex(iii)	30	85	25	9	25	64	829	3,706	5	26	914	3,890				

A12 - Operating Segments (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 year.

Notes

- 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.*
- 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 Condensed Statements of Comprehensive Income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.*
- The income statement in the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of EBITDA and EBDA), are solely from the concession business, after the proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

<u>As at 30 Jun</u> Unaudited	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000
Segment assets	458,615	571,979	152,652	150,513	21,325	26,308	1,288,194	1,354,457	32,457	35,302	1,953,242	2,138,559
Segment liabilities	(37,912)	(88,232)	-	-	(9,309)	(13,521)	(726,523)	(767,853)	(17,146)	(19,422)	(790,890)	(889,028)
Net segment assets	420,703	483,747	152,652	150,513	12,016	12,787	561,671	586,604	15,311	15,880	1,162,352	1,249,531

**PART B – DISCLOSURES PURSUANT TO PART A OF APPENDIX 9B 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

	As at 30 Jun 2021 (unaudited) RM’000	As at 31 Dec 2020 (audited) RM’000	Variance (%) #
Total assets	1,953,242	2,075,015	↓ 6
Total liabilities	790,890	867,283	↓ 9
Total shareholders’ equity	1,162,352	1,207,732	↓ 4
Return on equity (%)*	2.3	5.1	↓ 55
Net assets per share (sen)	45.53	47.59	↓ 4

* *Return on Equity is calculated by dividing the profit for the financial period with the average of the opening and closing total shareholders’ equity*

approximate, to the nearest digit

- (a) The Group’s total assets dropped by 6% or approximately RM121.8 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM85.2 million principally due to the dividend payments to shareholders, repayments of the Islamic Medium-Term Notes (“**IMTN**”) under a IMTN (Sukuk) Programme issued by a subsidiary, Cerah Sama Sdn Bhd (“**Cerah Sama**”), interest payments and payments to trade and other payables during the financial period. Trade receivables and amount due from contract customers also shown a decline of approximately RM29.4 million whereas the carrying amount of intangible assets reduced by approximately RM10.6 million due to amortisation charges.
- (b) Total liabilities declined by 9% or approximately RM76.4 million mainly due to lower trade and other payables primarily from the scheduled debt repayments made by Sungai Harmoni Sdn Bhd (“**SHSB**”) to its trade creditors amounting to RM18.7 million and amount owing to the Royal Malaysian Customs department amounting to RM10.6 million during the financial period. Total borrowings also saw a reduction on account of redemption of the second tranche of the IMTN of RM30.0 million.
- (c) Total shareholders’ equity was lower by 4% or about RM45.4 million in line with dividends paid to shareholders of the Company mitigated by profit recorded for the financial period. Correspondingly, the net assets per share stood at 45.53 sen from 47.59 sen as at 31 December 2020.

Part B – Review of Income Statement

The breakdown of the revenue by business segment below should be read in conjunction with Note A5 – Disaggregation of Revenue above.

	<u>3 Months ended 30 Jun 2021 RM’000 unaudited</u>	<u>3 Months ended 30 Jun 2020 RM’000 unaudited</u>	<u>6 Months ended 30 Jun 2021 RM’000 unaudited</u>	<u>6 Months ended 30 Jun 2020 RM’000 unaudited</u>
<i>Revenue</i>				
Water treatment, supply and distribution ¹	42,103	57,698	84,220	119,298
Construction	2,690	3,272	6,616	4,929
Toll highway	15,878	13,817	34,204	33,496
Others	1,250	1,316	2,500	2,632
Revenue as per Condensed Statement of Comprehensive Income	61,921	76,103	127,540	160,355

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>
Water treatment, supply and distribution ¹	14,960	18,062	29,473	42,054
Construction	(379)	(168)	(1,299)	(362)
Toll highway	6,426	6,080	14,114	14,764
Others	(2,556)	(2,180)	(5,178)	(4,674)
Operating profit	18,451	21,794	37,110	51,782
Finance cost	(4,763)	(5,167)	(9,432)	(10,774)
Share of results of joint venture	207	41	608	197
Share of results of associates	2,275	(962)	4,611	(4,346)
Profit before tax for the financial period	16,170	15,706	32,897	36,859

Note 1:

Taliworks (Langkawi) Sdn Bhd (“TLSB”)’s financial performance in the corresponding period as follows:

	<i>3 Months ended</i> <i>30 Jun 2020</i> <i>RM'000</i> <i>unaudited</i>	<i>6 Months ended</i> <i>30 Jun 2020</i> <i>RM'000</i> <i>unaudited</i>
<i>Revenue</i>	<i>14,148</i>	<i>30,700</i>
<i>Operating (loss)/ profit</i>	<i>(676)</i>	<i>5,543</i>

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

Overall Summary

For the current quarter, the Group recorded revenue of RM61.9 million, a reduction of RM14.2 million from RM76.1 million in the corresponding quarter. The lower revenue was primarily attributable to lower contribution from the water treatment, supply and distribution business, primarily due to (i) the expiration of the Privatisation Contract (referred to in Note 25(a) to the Audited Financial Statements) of TLSB on 31 October 2020; and (ii) lower metered sales and electricity rebates recorded in SSP1 operations during the current quarter. However, the decrease in revenue was mitigated by higher revenue contribution from the toll business as the average daily traffic was higher in the current quarter as compared to the corresponding quarter. During the current quarter, the conditional movement control order (“CMCO”) was in place since 5 March 2021 with the movement control order MCO 3.0 imposed on 6 May 2021 and a total lockdown nationwide imposed with effect from 1 June 2021.

Despite the decrease in revenue, the Group registered a higher PBT of RM16.2 million compared to RM15.7 million in the corresponding quarter mainly attributable to higher share of results from an associate, SWM Environment Holdings Sdn Bhd (“SWMEH”) and joint venture, coupled with lower financing cost due to the redemption of the IMTN. It should be noted that the PBT in the corresponding quarter was contributed by higher returns of RM4.1 million from interest income, dividend and gain on redemption from investment designated at FVTPL as compared to RM2.3 million in the current quarter. However, at the same period, a provision for termination benefits of RM6.0 million in TLSB was also made.

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

The division’s operating revenue recorded a decrease from RM57.7 million to RM42.1 million attributable to the expiration of the TLSB Privatisation Contract and lower metered sales and electricity rebates in the SSP1 operations.

The metered sales and the average million litres per day (“MLD”) of metered sales recorded in SSP1 and Langkawi operations were as follows:-

Metered Sales – (million m3)	Q2 - 2021	Q2 - 2020	Variance (%)
SSP1	86.4	87.2	↓ 0.9
Langkawi	-	4.45	n/a

Number of billing days			
SSP1	91	91	
Langkawi	-	91	

Average MLD			
SSP1	949.7	958.2	↓ 0.9
Langkawi	-	48.90	n/a

The segment recorded a lower operating profit of RM15.0 million compared to RM18.1 million in line with the reduction in revenue in SSP1 operation. In addition, the lower operating profit was also due to lower returns from interest income, dividend and gain on redemption from investments designated at FVTPL of RM1.9 million (Q2FY2020: RM3.4 million) and reversal of gain on modification on other payable of RM0.4 million recognised in the current quarter. Whereas for TLSB, it should be noted that the company has recorded an operating loss of RM0.7 million in the corresponding quarter due to the provision of termination benefits.

Construction

The construction revenue for the current quarter was contributed from an on-going project i.e. the Proposed Construction and Completion of 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan (“**CRJ4 Project**”). The segment revenue is lower by RM0.6 million as compared to RM3.3 million due to completion of the Langat 2 - Package 7 Balancing Reservoir Project in fourth quarter of last year. The segment recorded higher operating loss in line with the reduction in revenue and the downward revision in the projected construction margin for the CRJ4 Project in the current quarter. The downward revision was mainly due to the abnormal increase in prices of steel bars since end of last year. However, the higher operating loss was mitigated by the reversal of loss allowance on retention sums owing from a customer of RM0.3 million in the current quarter.

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)

Toll highway - Subsidiary

Average Daily Traffic	Q2 - 2021	Q2 - 2020	Variance (%)
Cheras-Kajang Highway	97,817	80,464	↑ 21.6

Revenue contribution from Grand Saga, was higher by RM2.1 million as compared to the corresponding quarter due to higher Average Daily Traffic (“ADT”) by 21.6%.

The segment’s operating profit was higher by RM0.4 million in line with the increase in ADT. However, the higher operating profit was mitigated by lower interest income and higher expenses such as amortisation of intangible asset, provision for heavy repairs and repairs and maintenance in the current quarter.

Toll highway – Share of results of joint venture

ADT	Q2 - 2021	Q2 - 2020	Variance (%)
Grand Sepadu Highway	67,780	57,550	↑ 17.8

The Group’s share of results in Grand Sepadu Sdn Bhd (“**Grand Sepadu**”) was higher compared to the corresponding quarter due to the increase in the overall ADT by 17.8% despite the re-imposition of the various MCO. However, the better financial results were tapered by lower interest income as well as increase in repairs and maintenance and amortisation of intangible assets.

Waste management - Associate

The Group’s share of results of associates was mainly contributed by SWMEH. The Group’s share of profit from SWMEH was RM1.9 million as compared to a share of loss of RM1.4 million in the corresponding quarter due to higher PAT recorded by SWMEH despite higher adjustments made by the Group of RM48.4 million (Q2FY20: RM47.7 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is higher at RM53.8 million as compared to RM43.6 million mainly due to higher revenue from both solid waste collection and public cleansing services, coupled with lower depreciation expense of assets reaching their lifespan as well as from reduction in subcontractors’ related costs.

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

Overall Summary

The Group recorded a significant decrease in revenue by RM32.8 million from RM160.4 million to RM127.5 million in the current financial period mainly attributable to lower contribution from water treatment, supply and distribution business, primarily due to (i) expiration of the TLSB Privatisation Contract; and (ii) lower metered sales and electricity rebates recorded in SSP1 operations during the current financial period. However, revenue from the construction and toll businesses was higher as compared to the corresponding period.

In line with the lower revenue, the Group registered a PBT of RM32.9 million, lower than RM36.9 million achieved in the corresponding period. The lower PBT was also impacted by the following:-

- (a) Water segment – lower net returns of RM3.7 million (YTD Q2FY20: RM7.7 million) from interest income, dividend and gain/loss on redemption from investments designated at FVTPL; and reversal of gain on modification on trade and other payables amounting to RM1.3 million (YTD Q2FY20: Nil) recognised in current financial period. However, the higher PBT in the corresponding period was impacted by a provision for termination benefits of RM6.0 million made by TLSB;
- (b) Toll segment – lower interest income, higher expenses such as amortisation of intangible asset, provision for heavy repairs and repairs and maintenance expenses; and
- (c) Construction segment – downward revision in the projected construction margin for the CRJ4 Project as well as completion of Langat 2 - Package 7 Balancing Reservoir Project.

However, the Group recorded higher share of results from associate and joint venture and lower financing cost due to the redemption of the IMTN.

Water treatment, supply and distribution

At the operating level, water treatment, supply and distribution business recorded a revenue of RM84.2 million, considerably lower than RM119.3 million achieved a year ago due to the to the expiration of the TLSB Privatisation Contract and lower metered sales and electricity rebates in the SSP1 operations as follows:-

Metered Sales – (million m3)	YTD Jun 2021	YTD Jun 2020	Variance (%)
SSP1	173.7	176.6	↓ 1.6
Langkawi	-	9.78	n/a
Number of billing days			
SSP1	181	182	
Langkawi	-	182	
Average MLD			
SSP1	959.8	970.3	↓ 1.1
Langkawi	-	53.74	n/a

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)

Water treatment, supply and distribution (continued)

The segment operating profit was lower at RM29.5 million compared to RM42.1 million a year ago in line with the decrease in revenue. In addition, the decrease in segment’s operating profit was also contributed by lower net returns from interest income, dividend and gain/loss on redemption from investments designated at FVTPL as well as reversal of gain on modification on trade and other payable in the current financial period.

Construction

Despite the completion of Langat 2- Package 7 Balancing Reservoir Project, the segment recorded a revenue of RM6.6 million from CRJ4 Project in the current financial period, higher than RM4.9 million achieved in the corresponding period due to the temporary cessation of construction activities during the MCO last year. Nevertheless, the segment recorded higher operating loss compared to the corresponding period mainly from the downward revision in the projected construction margin for the CRJ4 Project in the current financial period.

Toll operations-Subsidiary

ADT	YTD Jun 2021	YTD Jun 2020	Variance (%)
Cheras-Kajang Highway	107,815	104,955	↑ 2.7

Revenue contribution from the Cheras-Kajang highway increased marginally to RM34.2 million from RM33.5 million due to the increase in ADT by 2.7% as compared to corresponding period. However, the segment’s operating profit was lower by RM0.7 million on account of lower interest income, higher amortisation of intangible asset, provision for heavy repairs and repairs and maintenance expenses in the current financial period.

Toll operations -Share of results of joint venture

ADT	YTD Jun 2021	YTD Jun 2020	Variance (%)
Grand Sepadu Highway	73,750	68,482	↑ 7.7

The Group’s share of results in Grand Sepadu was higher compared to the corresponding period on account of higher ADT by 7.7% as compared to corresponding period. However, the lower interest income and higher expenses such as repairs and maintenance, amortisation of intangible assets and provision for heavy repairs during the financial period impacted the financial performance of the company.

Waste management –Share of results of associate

The Group’s share of profit from SWMH was RM4.0 million compared to share of loss of RM5.1 million in the corresponding period due to higher PAT recorded in SWMEH and lower adjustments made by the Group of RM96.5 million (YTD Q2FY20: RM100.2 million) to SWMEH’s PAT. The PAT of SWMEH is higher at RM107.8 million as compared to RM85.7 million due to higher revenue from both solid waste collection and public cleansing services as well as lower depreciation expense and subcontractors’ related costs.

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

Part B – Review of Income Statement (continued)

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

Revenue

	<u>3 Months ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	42,103	42,117
Construction	2,690	3,926
Toll highway	15,878	18,326
Others	1,250	1,250
Total revenue as per Condensed Statement of Comprehensive Income	61,921	65,619

Profit Before Tax

Water treatment, supply and distribution	14,960	14,513
Construction	(379)	(920)
Toll highway	6,426	7,688
Others	(2,556)	(2,622)
Operating profit	18,451	18,659
Finance cost	(4,763)	(4,669)
Share of results of joint venture	207	401
Share of results of associates	2,275	2,336
Profit before tax for the financial period	16,170	16,727

The Group recorded a decrease in revenue by RM3.7 million from RM65.6 million to RM61.9 million mainly due to lower contribution from construction and toll segments. Nevertheless, the PBT was only marginally lower by RM0.6 million compared to previous quarter’s RM16.7 million mainly due to better financial results in the construction business. The impact from the downward revision in the projected construction margin for the CRJ4 Project in the current quarter was mitigated by a reversal of loss allowance on retention sums owing from a customer.

Although there is decrease in SSP1 operations’ revenue, the operating profit was recorded higher by RM0.4 million mainly due to lower reversal of gain on modification of other payable recognised in the current quarter of RM0.4 million (Q1FY20: RM0.9 million).

The metered sales and the average MLD of metered sales recorded in SSP1 operations were as follows:-

SSP1	Q2 - 2021	Q1 - 2021	Variance (%)
Metered Sales – (million m3)	86.4	87.3	↓ 1.0
Number of billing days	91	90	
Average MLD	949.7	970.0	↓ 2.1

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

Part B – Review of Income Statement (continued)

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

The profit contribution from both Cheras Kajang Highway and Grand Sepadu Highway have declined in line with the reduction in ADT but was mitigated by lower amortisation of intangible assets.

The ADT recorded in both Cheras-Kajang Highway and Grand Sepadu Highway were as follows:-

ADT	Q2 - 2021	Q1 - 2021	Variance (%)
Cheras-Kajang Highway	97,817	117,925	↓ 17.1
Grand Sepadu Highway	67,780	79,787	↓ 15.0

Part C – Review of Statement of Cash Flow

	<u>6 Months ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>	Variance (%)
Net cash from/(used in) operating activities	24,236	(15,919)	> ↑ 100
Net cash from investing activities	76,494	199,699	↓ 62
Net cash used in financing activities	(114,036)	(189,885)	↓ 40

Net cash generated from operating activities was higher by RM40.2 million primarily due to higher receipts from trade receivables in Langkawi mitigated by scheduled debt repayments made by SHSB to its trade and other payables.

Net cash generated from investing activities was lower by RM123.2 million primarily due to the lower redemption of investments designated at FVTPL as compared to corresponding quarter.

Net cash outflow from financing activities was lower by RM75.8 million mainly due to lower repayment of borrowings and dividends payment to shareholders as compared to corresponding quarter.

B2 – Prospects

The profitability of the Group is largely driven by the performance of the water treatment, supply and distribution through the SSP1 operations and the toll divisions as these segments contribute the bulk of the profits and cash flows to the Group.

The cash flow position of the Group remains relatively strong from cash generated from the water treatment, supply and distribution business as well from the toll operations which enabled the Company to declare dividends to its shareholders. Payments received by SHSB have been prompt and this ensures that SHSB is able to properly manage its working capital requirements to pay its creditors and to meet its obligations including the rehabilitation and maintenance of SSP1 are adequately attended to. However, the Group's involvement in the Langkawi operations had ceased with the expiry of the TLSB Privatisation Contract in October of last year. With the cessation of Langkawi operations, the revenue and profitability from the water treatment, supply and distribution segment will be impacted in the current financial year. For the ten months ended 31 October 2020, TLSB recorded an audited revenue of RM52.6 million and PBT of RM9.9 million. However, the PBT included RM6.5 million in termination benefits and other payments to employees arising from the expiry of the TLSB Privatisation Contract, as well as a net provision of Restoration Cost of RM1.7 million.

In the toll highway division, the financial performance of the division would depend on the duration of the MCO imposed by the Federal Government. For the current quarter with the imposition of MCO 3.0 from 6 May 2021 and thereafter the national lockdown from 1 June 2021, the Cheras-Kajang Highway's and Grand Sepadu Highway's ADT dropped by 17.1% and 15.0% respectively compared to the previous quarter. It is expected that the traffic volume for both the highways will continue to be impacted for the second half of the year. Nevertheless, as disclosed in Note A8, the toll compensation of RM43.5 million received by Grand Saga will contribute to a better financial performance to the Group in the next quarter. In respect of the proposed toll restructuring initiated by the Federal Government, there is no substantial update as of to-date.

In the waste management division, SWMEH continue to achieve better profit performance on the back of higher revenue, from both solid waste collection and public cleansing services as well as lower operating expenditure. This was mainly from increasing areas to be serviced and lower depreciation charges from assets reaching their lifespan and reduction in subcontractors' costs. SWMEH is currently in the process of discussing for a tariff rate increase for its solid waste collection and public cleansing management services with the Federal Government under the terms of its concession agreement. The discussions are on-going and there is still no outcome.

In the construction segment, CRJ4 Project is the only remaining project undertaken by the Group. Although the construction segment in general will be able to contribute to the top line growth, its contribution to the Group's profit is not expected to be significant given that the margins are thin and quite competitive and the duration taken to complete a project is likely to span over a period of years. Nevertheless, the Group is continuing with its efforts to tender for infrastructure projects to replenish its order book including the upcoming Sg. Rasau Water Supply Scheme.

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. In late 2020, the Group made its maiden foray into the renewables sector by proposing to acquire the entire economic interests in four solar projects in Selangor, Malaysia with an aggregate capacity of 19.0 Megawatt-peak for approximately RM180.4 million, to be paid from internally generated funds. Approval for the proposed acquisitions has since been obtained from the Sustainable Energy Development Authority and is currently pending approval from the Energy Commission Malaysia.

B2 – Prospects(continued)

ICN1 2020 Disclosure Guidance on Covid-19 Related Impacts and Investments

As the Group is predominantly involved in businesses that provide essential services to the public, the Covid-19 outbreak does not materially impact the business outlook, liquidity, financial position or financial performance of the Group save for the toll businesses.

In order to sustain the business operations and to enable the Group to continue as a going concern in the post Covid-19 environment, the Group has implemented several strategies and steps to address the impact of Covid-19, amongst others:

- (a) reducing, cancelling or deferring non-critical repair works and capital expenditure spending wherever possible;
- (b) securing cash subsidy from the wage subsidy programme and other reliefs announced by the Government under the various economic stimulus packages for business segments that were affected; and
- (c) adhering to the Standard Operating Procedures and other guidelines issued by the Ministry of Health such as investment in thermal scanners, sanitising stations, frequent fogging disinfection at public areas and touch points, maintaining physical distancing protocols, working from home arrangements etc.

The Group closely monitors the development of the Covid-19 pandemic and continuously assesses the impact to its operations, liquidity, the financial position and operating results of the Group.

B3 – Profit Estimates, Forecasts, Projections, Internal Targets or Profit Guarantees

Not applicable as none were announced or disclosed in a public document.

B4 – Profit before tax

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Other operating income:</i>				
Interest income on fixed deposits with licensed banks	415	590	732	1,486
Dividend from investments designated at FVTPL	1,861	3,024	3,710	6,779
Rental income	217	307	466	389
Gain on redemption of investments designated at FVTPL	19	527	27	1,220
(Loss)/Gain on foreign exchange (unrealised)	(1)	1	3	5
Interest income imputed on retention sum	20	-	23	-
Fair value changes	(13)	18	-	115
Reversal of loss allowance on trade receivables and amount due from contract customers	-	11	-	11
Waiver of rental	-	167	-	167

B4 – Profit before tax(continued)*Cost of operations, administrative and other expenses:*

Depreciation and amortisation	(6,264)	(5,438)	(13,487)	(13,263)
Provision of termination benefits	-	(6,000)	-	(6,000)
Imputed interest on borrowing	(137)	(137)	(272)	(272)
Gain/(Loss) on redemption of investments designated at FVTPL	38	6	(49)	(57)
Gain/(Loss) on fair value changes	37	213	(46)	(402)
Gain on foreign exchange (unrealised)	-	6	-	-
Loss allowance on trade and other receivables and amount due from contract customers	284	(130)	(53)	(141)
Reversal of interest income imputed on retention sum	-	56	-	(16)
Reversal of gain on modification on trade and other payables	(408)	-	(1,349)	-

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

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.

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Income tax:				
-Current year tax	3,273	4,769	6,265	8,715
-Deferred tax expense	(364)	(1,090)*	(390)	(1,354)*
Total income tax expense	<u>2,909</u>	<u>3,679</u>	<u>5,875</u>	<u>7,361</u>

* Included in the amount was the deferred tax asset recognised in respect of provision for termination benefits in TLSB.

B6 – Status of Corporate Proposals Announced but not Completed

As of 16 August 2021 (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, save and except for the proposed acquisition of the equity interest in renewable energy business as disclosed in Note 47 to the Audited Financial Statements.

B7 – Group Borrowings and Debt Securities

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

	<u>Long term</u> <u>RM'000</u>	<u>Short term</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>30 Jun 2021 (unaudited)</u>			
Secured			
- IMTN	<u>328,294</u>	<u>30,000</u>	<u>358,294</u>
<u>30 Jun 2020 (unaudited)</u>			
Secured			
- IMTN	<u>357,883</u>	<u>30,000</u>	<u>387,883</u>

The RM420 million in nominal value IMTN Programme issued by a subsidiary, Cerah Sama is repayable over 11 annual instalments commencing 2020. During the financial period, the second tranche of the IMTN amounting to RM30 million in nominal value was redeemed in full at maturity in January 2021 (YTD Q2FY20: RM30 million). As at the end of the financial period, the outstanding balance of the IMTN was RM360 million.

B8 – Changes in Material Litigations

The Group does not have any material litigation as at the last annual statement of financial position.

B9 – Dividends

The Board is pleased to declare a second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000, in respect of the financial year ended 31 December 2021, to be payable on 30 September 2021.

For the financial year ending 31 December 2021, the Board has declared a total single-tier dividend of 3.30 sen to shareholders amounting to RM66,522,000 (2020: 3.30 sen per share amounting to RM66,522,000).

B10 – Earnings Per Share (“EPS”)

Basic and diluted earnings per share attributable to owners of the Company are computed 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.

There are no dilutive potential ordinary shares attributable to the Company as at the end of the financial period.

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Profit for the financial period attributable to owners of the Company (RM'000)	12,566	11,701	24,954	27,606
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817	2,015,817	2,015,817
Earnings per share (sen)	<u>0.63</u>	<u>0.58</u>	<u>1.24</u>	<u>1.37</u>

B11 – Auditors’ Reports

The audit report on the annual financial statements of the Group and the Company for the preceding financial year do not contain a modified opinion or material uncertainty related to going concern.

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 RM418.99 million are approximately: -

- (i) RM23.5 million held as securities for banking facilities secured by the Group; and
- (ii) RM32.5 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

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
23 August 2021