

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2022
(UNAUDITED)

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KEY FINANCIAL HIGHLIGHTS

<i>(in RM'000 unless specified otherwise)</i>	<u>3 months ended 31 March</u>		<u>Variance</u>
	<u>2022</u>	<u>2021</u>	(%)
	unaudited	unaudited	#
Revenue	74,846	65,619	↑ 14
Gross profit	28,537	25,613	↑ 11
Profit before taxation (“ PBT ”)	17,041	16,727	↑ 2
Profit for the period	11,498	13,761	↓ 16
Earnings per share (“ EPS ”) (sen)	0.53	0.61	↓ 13
Dividends per share (sen)	1.65	1.65	-

approximate, to the nearest digit

- The Group posted revenue of RM74.85 million, an increase of 14% or RM9.23 million compared to the corresponding period attributable to higher revenue from all the business segments.
- The increase in revenue in the water treatment, supply and distribution segment was primarily due to higher metered sales and electricity and chemical rebates from the Sungai Selangor Water Treatment Plant Phase 1 (“**SSPI**”) operations due to higher electricity and chemical cost in the current quarter. The higher electricity cost is mainly due to Imbalance Cost Pass-Through (“**ICPT**”) surcharge imposed by Tenaga Nasional Berhad (“**TNB**”) with effect from 1 February 2022. Apart from that, the increase in the Group revenue was also contributed by the toll business segment on account of higher Average Daily Traffic (“**ADT**”) as well as contribution from the Rasau Projects (referred to in Note B1) secured from Pengurusan Air Selangor Sdn. Bhd in the previous quarter.
- In line with higher revenue, the Group registered a higher gross profit by 11% or RM2.92 million.
- PBT saw an increase by 2% or by RM0.32 million to RM17.04 million. The higher PBT was attributable to higher fair value measurement on the Group’s investments designated at fair value through profit or loss (“**FVTPL**”) and lower administrative expenses. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL due to reduction in cash reserves as well as share of losses from associates.
- Profit for the period was lower by 16% or by RM2.26 million attributable to higher tax expense during the financial period due to expiry of tax waiver enjoyed by Grand Saga Sdn Bhd (“**Grand Saga**”) on 31 December 2021.
- EPS decreased by 13%, reflecting lower profit attributable to shareholders of the Company.
- The Board is pleased to declare a first interim single-tier dividend of 1.65 sen per ordinary share amounting to approximately RM33.26 million in respect of the financial year ending 31 December 2022 to be payable on 30 June 2022.

CONDENSED STATEMENTS OF FINANCIAL POSITION

		31 Mar 2022	31 Dec 2021
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
ASSETS			
Property, plant and equipment		6,471	6,133
Right-of-use assets		9,228	9,843
Investment properties		102	212
Intangible assets		1,009,846	1,016,966
Investment in joint venture		68,148	67,601
Investment in associates		150,711	153,123
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Long-term other receivable		18,379	18,379
Deposits, cash and bank balances	B12	17,545	48,449
Total Non-Current Assets		1,410,055	1,450,331
Inventories		3,135	2,287
Amount due from contract customers		2,888	6,581
Trade receivables		52,955	50,523
Other receivables, deposits and prepayments		14,162	11,346
Tax recoverable		12,587	12,678
Investments designated at fair value through profit or loss	B12	310,398	346,443
Deposits, cash and bank balances	B12	56,909	62,228
		453,034	492,086
Assets held-for-sale	B13	804	694
Total Current Assets		453,838	492,780
TOTAL ASSETS		1,863,893	1,943,111
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Retained earnings		515,272	537,949
Total Equity Attributable to Owners of the Company		882,126	904,803
Non-controlling interests		253,560	252,646
Total Equity		1,135,686	1,157,449
LIABILITIES			
Long-term borrowings	B7	298,630	328,540
Lease liabilities		9,950	9,950
Long-term trade payables		463	893
Provisions		26,168	24,952
Deferred income		77,790	77,790
Deferred tax liabilities		232,486	234,196
Total Non-Current Liabilities		645,487	676,321
Trade payables		22,596	41,516
Other payables and accruals		13,120	17,624
Amounts due to contract customers		415	-
Provisions		444	563
Short-term borrowings	B7	30,000	30,000
Lease liabilities		2,006	2,675
Deferred income		11,199	14,864
Tax liabilities		2,940	2,099
Total Current Liabilities		82,720	109,341
TOTAL LIABILITIES		728,207	785,662
TOTAL EQUITY AND LIABILITIES		1,863,893	1,943,111

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended	
		31 Mar	
		2022	2021
		RM'000	RM'000
		<u>unaudited</u>	<u>unaudited</u>
Revenue	A5,B1	74,846	65,619
Cost of operations		(46,309)	(40,006)
Gross profit		28,537	25,613
Other operating income		2,465	2,723
Administrative and other expenses		(7,595)	(9,677)
Operating profit		23,407	18,659
Finance costs		(4,501)	(4,669)
Share of results of joint venture		547	401
Share of results of associates		(2,412)	2,336
Profit before tax	B4	17,041	16,727
Income tax expense	B5	(5,543)	(2,966)
Profit for the financial period/ Total comprehensive income		11,498	13,761
Profit for the financial period/ Total comprehensive income for the financial period attributable to:			
Owners of the Company		10,584	12,388
Non-controlling interests		914	1,373
		11,498	13,761
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.53	0.61

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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>Non-</u>	<u>Total</u>	
	<u>Share</u>	<u>Merger</u>	<u>Retained</u>	<u>Total</u>	<u>controlling</u>		<u>Equity</u>
	<u>capital</u>	<u>deficit</u>	<u>earnings</u>		<u>interests</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As of 1 January 2022	438,354	(71,500)	537,949	904,803	252,646	1,157,449	
Profit for the financial period	-	-	10,584	10,584	914	11,498	
Total comprehensive income for the financial period	-	-	10,584	10,584	914	11,498	
Transactions with owners of the Company:							
Dividends paid	-	-	(33,261)	(33,261)	-	(33,261)	
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	
Total transactions with owners of the Company	-	-	(33,261)	(33,261)	-	(33,261)	
As of 31 Mar 2022 (unaudited)	438,354	(71,500)	515,272	882,126	253,560	1,135,686	

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 2021	438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the financial period	-	-	12,388	12,388	1,373	13,761
Total comprehensive income for the financial year	-	-	12,388	12,388	1,373	13,761
Transactions with owners of the Company:						
Dividend paid	-	-	(33,261)	(33,261)	-	(33,261)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(5,880)	(5,880)
Total transactions with owners of the Company	-	-	(33,261)	(33,261)	(5,880)	(39,141)
As of 31 Mar 2021 (unaudited)	438,354	(71,500)	571,620	938,474	243,878	1,182,352

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2022</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM'000</u> <u>unaudited</u>
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	17,041	16,727
Adjustments for:		
Non-cash items	6,402	1,428
Interest income	(406)	(317)
Finance costs	4,501	4,669
Operating Profit Before Working Capital Changes	27,538	22,507
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(2,265)	16,262
Net decrease in trade and other payables and deferred income	(20,031)	(31,229)
Cash Generated From Operations	5,242	7,540
Income tax paid	(5,494)	(3,585)
Income tax refunded	39	-
Net Cash (Used in)/From Operating Activities	(213)	3,955
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	687	414
Property, plant and equipment:		
- Proceeds from disposal	112	20
- Purchases	(1,086)	(8)
Dividend received from an associate	-	60
Investments designated at FVTPL:		
- Purchase	(30,300)	(10,000)
- Proceeds from redemption	67,943	32,005
Withdrawals of deposits pledged as security	30,907	29,852
Net Cash From Investing Activities	68,263	52,343
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(9,438)	(10,095)
Repayment of borrowings	(30,000)	(30,000)
Repayment of lease liabilities	(669)	(652)
Dividends paid (<i>Note A7</i>)	(33,261)	(33,261)
Dividends paid by a subsidiary to non-controlling interests	-	(5,880)
Net Cash Used In Financing Activities	(73,368)	(79,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,318)	(23,590)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	62,227	64,617
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	56,909	41,027

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2022</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM'000</u> <u>Audited</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	56,194	48,862
Cash and bank balances	18,260	15,675
Total deposits, cash and bank balances	74,454	64,537
Less: Deposits pledged as security	(17,545)	(23,510)
	<u>56,909</u>	<u>41,027</u>

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 Malaysia Securities Berhad (“**Bursa Securities**”) and guidance communication notes 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 2021 (“**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 amendments to 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 years beginning on or after 1 January 2022.

Amendments to MFRSs	Description
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Annual Improvement to MFRS Standards 2018-2020	

The adoption 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.

New MFRSs and Amendments to MFRSs in issue but not yet effective

As at the date of authorisation of these interim financial statements, the new 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 17	Initial Application of MFRS 17 and MFRS 9-Comparative Information
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 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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>31 Mar</u>	
	<u>2022</u>	<u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
<i>Revenue from contracts with customers:</i>		
Management, operations and maintenance of water treatment plants	45,223	42,117
Toll revenue and operator fee	16,935	14,375
Revenue from construction contracts	7,773	3,926
Management fees	1,250	1,250
	<u>71,181</u>	<u>61,668</u>
<i>Revenue from other sources:</i>		
Deferred income	3,665	3,951
Revenue as per Condensed Statement of Comprehensive Income	<u>74,846</u>	<u>65,619</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>		
At a point in time	62,158	56,492
Over time	9,023	5,176
	<u>71,181</u>	<u>61,668</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 RM33,261,000 (2021: RM33,261,000) as follows: -

On 22 February 2022, 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 2021 which was paid on 25 March 2022.

A8 – Material Subsequent Events

Save and except for the completion of the acquisition of the majority economic interest in four solar projects referred to in Note 48(b)(i) to the Audited Financial Statements which took place on 21 April 2022, there were no material events subsequent to the end of the financial report that have not been reflected in these interim financial statements

A9 - Contingent Liabilities

There are no material contingent liabilities as at the end of the current financial period and up to 19 May 2022 (being a date not earlier than 7 days from 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.

3 Months ended 31 Mar unaudited	Water treatment, supply and distribution		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per Condensed Statement of Comprehensive Income	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	45,223	42,117	7,773	3,926	15,139	13,937	81,887	79,074	1,250	1,955	151,272	141,009	(76,426)	(75,390)	74,846	65,619
EBITDA(i)	15,752	14,643	104	(1,246)	11,764	9,919	14,465	22,869	(312)	(1,010)	41,773	45,175	(9,861)	(19,293)	31,912	25,882
Depreciation and amortisation	(79)	(130)	(61)	(8)	(5,564)	(4,773)	(1,347)	(2,592)	(896)	(907)	(7,947)	(8,410)	(558)	1,187	(8,505)	(7,223)
Operating profit/(loss)	15,673	14,513	43	(1,254)	6,200	5,146	13,118	20,277	(1,208)	(1,917)	33,826	36,765	(10,419)	(18,106)	23,407	18,659
Finance costs	-	-	-	-	(2,787)	(2,994)	(7,083)	(6,496)	(167)	(204)	(10,037)	(9,694)	5,536	5,025	(4,501)	(4,669)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	547	401	547	401
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(2,412)	2,336	(2,412)	2,336
Profit/(loss) before tax	15,673	14,513	43	(1,254)	3,413	2,152	6,035	13,781	(1,375)	(2,121)	23,789	27,071	(6,748)	(10,344)	17,041	16,727
Income tax expense	(3,543)	(3,249)	-	-	(1,556)	(322)	(6,653)	(5,967)	-	-	(11,752)	(9,538)	6,209	6,572	(5,543)	(2,966)
Profit/(loss) after tax	12,130	11,264	43	(1,254)	1,857	1,830	(618)	7,814	(1,375)	(2,121)	12,037	17,533	(539)	(3,772)	11,498	13,761
EBDA(ii)	12,209	11,394	104	(1,246)	7,421	6,603	729	10,406	(479)	(1,214)	19,984	25,943	19	(4,959)	20,003	20,984
Capex(iii)	41	6	1,005	-	47	2	1,437	235	16	-	2,546	243				

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 dividends on cumulative preferences shares held by parties other than the Group.*

As at 31 Mar 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>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Segment assets	130,179	488,029	138,050	150,771	16,833	24,660	1,264,877	1,284,541	313,954	32,704	1,863,893	1,980,705
Segment liabilities	(23,169)	(44,472)	-	-	(10,160)	(12,260)	(680,280)	(724,497)	(14,598)	(17,124)	(728,207)	(798,353)
Net segment assets	107,010	443,557	138,050	150,771	6,673	12,400	584,597	560,044	299,356	15,580	1,135,686	1,182,352

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 31 Mar 2022 (unaudited) RM’000	As at 31 Dec 2021 (audited) RM’000	Variance (%) #
Total assets	1,863,893	1,943,111	↓ 4
Total liabilities	728,207	785,662	↓ 7
Total shareholders’ equity	1,135,686	1,157,449	↓ 2
Return on equity (%)*	1.0	8.7	↓ 89
Net assets per share (sen)	43.76	44.89	↓ 3

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

approximate, to the nearest digit

- (a) The Group’s total assets dropped by 4% or approximately RM79.22 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM72.27 million principally due to the dividend payments to shareholders, repayments of the Islamic Medium-Term Notes (“**IMTN**”) under a IMTN (Sukuk) Programme issued by Cerah Sama Sdn Bhd (“**Cerah Sama**”), interest payments and payments to trade and other payables during the financial period. In addition, the carrying amount of intangible assets reduced by approximately RM7.12 million due to amortisation charges.
- (b) Total liabilities declined by 7% or approximately RM57.46 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 RM16.98 million and lower accrued interest as at the end of the financial period of RM2.73 million (31 December 2021: RM7.67 million). Total borrowings also saw a reduction on account of redemption of the third tranche of the IMTN of RM30.00 million.
- (c) Total shareholders’ equity was lower by 2% or about RM21.76 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 43.76 sen compared to 44.89 sen as at 31 December 2021.

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

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</u> <u>ended</u> <u>31 Mar 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>
<i>Revenue</i>		
Water treatment, supply and distribution	45,223	42,117
Construction	7,773	3,926
Toll highway	20,600	18,326
Others	1,250	1,250
Revenue as per Condensed Statement of Comprehensive Income	74,846	65,619

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	15,673	14,513
Construction	38	(920)
Toll highway	8,903	7,688
Others	(1,207)	(2,622)
Operating profit	23,407	18,659
Finance cost	(4,501)	(4,669)
Share of results of joint venture	547	401
Share of results of associates	(2,412)	2,336
Profit before tax for the financial period	17,041	16,727

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

Overall Summary

For the current quarter, the Group recorded revenue of RM74.85 million, an increase of RM9.23 million from RM65.62 million in the corresponding quarter. The increase in the revenue was attributable to higher revenue from all the business segments. SSP1 operations, the sole-source of revenue for the water treatment, supply and distribution segment, recorded higher metered sales as well as higher electricity and chemical rebates due to higher electricity and chemical cost during the current quarter. The higher electricity cost was due to ICPT surcharge imposed by TNB with effect from 1 February 2022.

The higher Group revenue also benefitted from higher ADT recorded at the Grand Saga highway as well as contribution from the new projects secured from Pengurusan Air Selangor Sdn. Bhd. in the previous quarter to develop two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme. The projects are (a) Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to Existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works (Package 2); and (b) Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works (Package 3) (collectively referred to as the “**Rasau Projects**”) with a total contract sum of approximately RM896 million.

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)

In line with the higher revenue, the Group registered an increase in PBT of RM17.04 million compared to RM16.73 million in the corresponding quarter. The higher PBT was mainly attributable to the following: -

- (a) lower administrative expenses in the current quarter arising from recognition of expected loss allowance on trade and other receivables and amount due from contract customers of RM0.34 million, as well as reversal of gain on modification on trade payables of RM0.94 million pursuant to MFRS 9 Financial Instruments in the corresponding quarter as disclosed in Note B4; and
- (b) higher fair value gain of RM1.04 million from mark-to-market valuation of the Group's investments designated at FVTPL during the current quarter as disclosed in Note B4.

However, the increase in PBT in the current quarter was mitigated by share of losses from an associate, SWM Environment Holdings Sdn Bhd (“SWMEH”), as well as lower net returns of RM0.97 million (Q1FY21: RM2.09 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL.

Water treatment, supply and distribution

The division’s operating revenue recorded an increase from RM42.12 million to RM45.22 million due to higher metered sales of RM36.86 million (Q1FY21: RM35.79 million) and electricity and chemical rebates of RM8.36 million (Q1FY21: RM6.32 million) in the SSP1 operations.

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

SSP1	Q1 - 2022	Q1 - 2021	Variance (%)
Metered Sales (million m ³)	89.91	87.30	↑ 3.0
Number of billing days	90	90	
Average MLD	999	970	↑ 3.0

In line with the increase in revenue, the segment operating profit also shows an increase to RM15.67 million from RM14.51 million recorded in the corresponding quarter. The higher operating profit in current quarter was also due to reversal of gain on modification on trade payables recognised in corresponding quarter of RM0.94 million. Higher profit was however impacted by lower net returns from interest income, dividend and gain on redemption from investments designated at FVTPL of RM0.23 million (Q1FY21: RM1.79 million) and higher electricity and chemicals costs of RM19.41 million (Q1FY21: RM16.86 million).

Construction

The construction revenue for the current quarter was higher by RM3.85 million as compared to the corresponding quarter mainly from the Rasau Projects and from an on-going project i.e., Proposed Construction and Completion of 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan. In line with increase in revenue, the segment recorded an operating profit as compared to an operating loss in the corresponding quarter. In the corresponding quarter, the division recorded a higher provision of expected loss allowance pursuant to MFRS 9.

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	Q1 - 2022	Q1 - 2021	Variance (%)
Grand Saga Highway	139,940	117,925	↑ 18.7

Revenue contribution from Grand Saga, was higher by RM2.27 million as compared to the corresponding quarter due to higher ADT by 18.7%. Toll collections came in at RM16.93 million (Q1FY21: RM14.38 million) whereas government compensation was recorded at RM3.67 million (Q1FY21: RM3.95 million). In line with higher revenue, the segment registered higher operating profit by RM1.22 million as compared to the corresponding quarter. However, the operating profit was impacted by higher amortisation of intangible assets of RM3.73 million (Q1FY21: RM3.04 million). There were no significant variations in operating and other costs.

Toll highway – Share of results of joint venture

ADT	Q1 - 2022	Q1 - 2021	Variance (%)
Grand Sepadu Highway	82,689	79,787	↑ 3.6

In line with higher ADT by 3.6%, the Group’s share of results in Grand Sepadu (NK) Sdn Bhd (“**Grand Sepadu**”) was marginally higher by RM0.15 million as compared to the corresponding quarter whereby the company registered a revenue of RM12.35 million (Q1FY21: RM12.24 million). The financial performance of the company also benefitted from lower financing costs of RM1.54 million (Q1FY21: RM1.91 million) and higher other income of RM0.34 million (Q1FY21: RM0.21 million). However, share of results was mitigated by, amongst others, higher amortisation of intangible assets of RM3.55 million (Q1FY21: RM3.34 million).

Waste management - Associate

The Group’s share of results of associates is mainly contributed by SWMEH. The Group’s share of losses from SWMEH was RM2.85 million as compared to a share of profit of RM2.08 million in the corresponding quarter due to lower PAT recorded by SWMEH and higher adjustments made by the Group of RM59.14 million (Q1FY21: RM48.05 million) to SWMEH’s PAT due to higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing this quarter. At SWMEH’s company level, the revenue from both solid waste collection and public cleansing services was higher by 3.6% compared to the corresponding quarter mainly attributable to handing over of new areas by its customer. Nevertheless, the company recorded a lower PAT at RM51.01 million as compared to RM53.99 million mainly due to higher provision for loss allowance on receivables, finance costs and taxes in the current quarter. However, this was offset by lower depreciation due to certain assets having been fully depreciated.

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

Part B – Review of Income Statement (continued)

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

Revenue

	<u>3 Months ended</u> <u>31 Mar 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Dec 2021</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	45,223	43,178
Construction	7,773	6,822
Toll highway	20,600	21,481
Others	1,250	1,250
Total revenue as per Condensed Statement of Comprehensive Income	74,846	72,731

Profit Before Tax

Water treatment, supply and distribution	15,673	11,502
Construction	38	805
Toll highway	8,903	5,073
Others	(1,207)	(17)
Operating profit	23,407	17,363
Finance cost	(4,501)	(4,811)
Share of results of joint venture	547	354
Share of results of associates	(2,412)	933
Profit before tax for the financial period	17,041	13,839

The Group recorded an increase in revenue by RM2.12 million from RM72.73 million to RM74.85 million mainly due to higher contribution from water treatment, supply and distribution segment as well as construction business. However, the increase was impacted by lower contribution from toll business. The Group PBT increased in line with the higher revenue achieved. However, the higher PBT was impacted by, amongst others, share of losses from associates, lower net returns of RM0.97 million (Q4FY21: RM1.80 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL in the current quarter, as well as write-back of over-provision of expenses in the preceding quarter.

The water treatment, supply and distribution division recorded higher operating revenue comprising metered sales of RM36.86 million (Q4FY21: RM36.60 million) and electricity and chemical rebates of RM8.36 million (Q4FY21: RM6.58 million). The metered sales and the average MLD of metered sales recorded in SSP1 operations were as follows:-

SSP1	Q1 - 2022	Q4 - 2021	Variance (%)
Metered Sales (million m ³)	89.91	89.27	↑ 0.7
Number of billing days	90	92	
Average MLD	999	970	↑ 3.0

Although revenue saw an increased by RM2.05 million, PBT was higher by RM4.17 million on account of a provision for loss allowance on other receivable of RM0.71 million and higher rehabilitation expenditure of RM6.89 million (Q1FY22: RM3.28 million) incurred in the preceding quarter.

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

Part B – Review of Income Statement (continued)

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

The construction division’s revenue was higher as compared to preceding quarter as the division started to record contribution from the Rasau Projects. Nonetheless, the PBT for the previous quarter was higher due mainly to the upward revision of the construction revenue from the Mengkuang Dam and Langat 2 - Package 7 Balancing Reservoir projects which had been completed.

For Grand Saga Highway, revenue contribution decreased by RM0.88 million due to drop in ADT by 1.6% as a result of the festive holidays in the current quarter. Despite the slight reduction in the ADT, profit contribution has increased by RM3.83 million mainly due to lower repair and maintenance expenses of RM0.35 million (Q4FY21: RM1.41 million) and amortisation of intangible assets of RM3.73 million (Q4FY21: RM5.66 million). As for Grand Sepadu Highway, the share of results for this quarter was higher mainly attributable to lower repair and maintenance expenses of RM0.31 million (Q4FY21: RM1.95 million), whilst the ADT was almost unchanged over the two quarters.

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

ADT	Q1 - 2022	Q4 - 2021	Variance (%)
Grand Saga Highway	139,940	142,197	↓ 1.6
Grand Sepadu Highway	82,689	82,725	Not significant

The Group’s share of losses from SWMEH was RM2.85 million as compared to a share of profit of RM0.61 million in the corresponding quarter due to higher adjustments made by the Group of RM59.14 million (Q4FY21: RM48.78 million) to SWMEH’s PAT due to higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing this quarter. At SWMEH’s company level, the revenue from both solid waste collection and public cleansing services was higher by 0.6%. The company recorded a higher PAT at RM51.01 million as compared to RM50.53 million.

Part C – Review of Statement of Cash Flow

	<u>3 Months ended</u> <u>31 Mar 2022</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>	Variance (%)
Net cash (used in)/from operating activities	(213)	3,955	> ↓ 100
Net cash from investing activities	68,263	52,343	↑ 30
Net cash used in financing activities	(73,368)	(79,888)	↓ 8

Net cash from operating activities was lower by RM4.17 million primarily attributable to the lower receipt from trade receivable in Taliworks (Langkawi) Sdn Bhd and lower debt repayments made by SHSB to its trade and other payables as compared to corresponding quarter.

Net cash from investing activities was higher by RM15.92 million primarily due to the higher net proceeds from redemption of investments designated at FVTPL as compared to corresponding quarter.

Net cash outflow from financing activities was lower by RM6.52 million mainly due to lower repayment of interest and dividends payment to non-controlling interests by a subsidiary 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 from the SSP1 operations and the toll divisions as these segments contribute the bulk of the profits and cash flows to the Group. Nevertheless, the Group would see significant contribution from the Rasau Projects as well as contribution from the renewables division with the completion of the acquisition of major economic stakes in four solar projects subsequent to the financial period.

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. Together with the available cash reserves in the Company, this has enabled the Company to declare dividends to its shareholders. Payments received by SHSB have been prompt and this ensures that SHSB is able to stream dividends to the Company whilst meeting its payment obligations. Demand for treated raw water is expected to remain robust for 2022.

In the toll highway division, revenue from toll collections is expected to improve with higher ADT as the country moved to the endemicity stage commencing April of this year. Economic activities are expected to further pick up from the previous quarter with all business sectors being allowed to operate. However, it should be noted that with the lapse of tax waiver period enjoyed by Grand Saga on 31 December 2021 arising from the Fourth Supplemental Concession Agreement entered between the Government of Malaysia and Grand Saga (referred to in Note 45 to the Audited Financial Statements 2011), the statutory income generated from the company will be taxable commencing this financial year.

In the waste management division, SWMEH registered 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. SWMEH is currently in discussion for a second cycle tariff review with the Federal Government under the terms of its concession agreement. The discussions are still on-going.

In the construction segment, the Group has commenced to recognise revenue and profit contribution from the Rasau Projects with the bulk of the revenue and profit recognition to be in 2023 and 2024. This will boost the financial performance of the Group over the next three years from the construction activities.

With the completion of the acquisition of the majority economic interest in four solar projects in April 2022 as announced to the stock exchange, the Group will see contribution from the renewables division commencing the second quarter of this year. The Group is working to complete the acquisition of the remaining minority economic interests in the following weeks. Efforts are currently being made to integrate the solar operations into the Group including enhancing existing cost efficiencies and streamlining the operations.

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 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 31 Mar</u>	
	<u>2022</u>	<u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
<i>Other operating income:</i>		
Interest income on fixed deposits with licensed banks	406	317
Dividend from investments designated at FVTPL	308	1,849

B4 – Profit before tax (continued)

	<u>3 Months ended 31 Mar</u>	
	<u>2022</u>	<u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
Rental income	119	249
Gain on redemption of investments designated at FVTPL	266	8
Gain on foreign exchange (unrealised)	4	4
Interest income imputed on retention sum	-	3
Fair value changes	1,035	13
Reversal of loss allowance on trade receivables and amount due from contract customers	2	-
Gain on disposal of property, plant and equipment and sundry income	280	324
 <i><u>Cost of operations, administrative and other expenses:</u></i>		
Depreciation and amortisation	(8,505)	(7,223)
Provision of staff termination benefits		
Imputed interest on borrowing	(91)	(135)
Loss on redemption of investments designated at FVTPL	(7)	(87)
Loss on fair value changes	(5)	(83)
Loss allowance on trade and other receivables and amount due from contract customers	-	(337)
Reversal of interest income imputed on retention sum	(51)	-
Reversal of gain on modification on trade payables	-	(941)

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 31 Mar</u>	
	<u>2022</u>	<u>2021</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
Income tax:		
-Current year tax	7,252	2,992
-Reversal of Deferred tax	(1,709)	(26)
Total income tax expense	<u>5,543*</u>	<u>2,966</u>

* Higher tax expense was attributable to expiry of tax waiver period in Grand Saga on 31 December 2021.

B6 – Status of Corporate Proposals Announced but not Completed

Save and except for the proposed acquisition referred to in Note 48(b)(ii) to the Audited Financial Statements, there were no corporate proposals announced but not completed as at end of the reporting period as of 19 May 2022 (being a date not earlier than 7 days from the date of these interim 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> RM'000	<u>Short term</u> RM'000	<u>Total</u> RM'000
<u>31 Mar 2022 (unaudited)</u>			
Secured			
- IMTN	<u>298,630</u>	<u>30,000</u>	<u>328,630</u>
<u>31 Mar 2021 (unaudited)</u>			
Secured			
- IMTN	<u>328,294</u>	<u>30,000</u>	<u>358,294</u>

The RM420 million in nominal value IMTN Programme issued by Cerah Sama is repayable over 11 annual instalments commencing 2020. During the financial period, the third tranche of the IMTN amounting to RM30 million in nominal value was redeemed in full at maturity in January 2022. As at the end of the financial period, the outstanding balance of the IMTN was RM330 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 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 ended 31 December 2022, to be payable on 30 June 2022.

For the financial year ended 31 December 2022, the Board has declared a total single-tier dividend of 1.65 sen to shareholders amounting to RM33,261,000 (2021: 1.65 sen per share amounting to RM33,261,000).

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.

B10 – Earnings Per Share (“EPS”) (continued)

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

	<u>3 Months ended 31 Mar</u>	
	<u>2022</u>	<u>2021</u>
	<u>unaudited</u>	<u>unaudited</u>
Profit for the financial period attributable to owners of the Company (RM'000)	10,584	12,388
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	<u>0.53</u>	<u>0.61</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 RM384.9 million are approximately: -

- (i) RM17.5 million held as securities for banking facilities secured by the Group; and
- (ii) RM6.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B13 – Assets Held-for-Sale

The Group has accepted offers to dispose of its investment properties and accordingly reclassified them as assets held-for-sale. The disposal considerations exceeded the carrying amounts of the assets held-for-sale, and therefore, there is no impairment to the carrying amount as at the end of the reporting period pursuant to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

B14 – Restatement of Comparatives

Certain comparatives may differ from the unaudited financial results announced for the fourth quarter of 2021 as they have been adjusted to take into account the audited results of the Group for the financial year ended 31 December 2021.

B15 – 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
Tai Yit Chan (MAICSA 7009143)
Chan Sau Leng (MAICSA 7012211)
Company Secretaries
26 May 2022